LEGISLATIVE ASSEMBLY DEBATES

MONDAY, 7th MARCH, 1927

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OFFICIAL REPORT

CONTENTS

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LEGISLATIVE ASSEMBLY.

Monday, 7th March, 1927.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President in the Chair

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MEMBER SWORN

Sardar Sir Bomanji Ardeshir Dalal, Kt., M.L.A. (Bombay: Nominated Non-Official).

QUESTIONS AND ANSWERS

INDIAN SHOW GIVEN IN BERLIN UNDER THE DIRECTION OF MR. HAGENBECK.

725. *Lala Lajpat Rai: 1. Has the attention of Government been drawn to an article that appeared in the "*Hindu* of Madras", dated February 5th, 1927, under the caption "Exploitation of Indians in European countries"? Are the facts stated therein so far as they relate to the Government of India correct?

2. If so, will the Government of India lay on the table of the House the correspondence that passed between the Government of India and Mr Hagenbeck relating to the grant of passports to the Indians whom Mr Hagenbeck took to Europe for the purpose of being shown as exhibits in zoological gardens?

3. Is it a fact that Indians have been used as exhibits in German zoological gardens by several circus and other companies?

4. Is it a fact that there is a firm in Madras which acts as an agent of circus companies of Germany for choosing and sending Indians for the purpose of showing them in Europe as a part of their show?

5. Is it a fact that the Indians in the Hagenbeck troop have received passports for five years on the Government of India receiving Rs 25,000 as security for being sent back to India after 5 years?

The Honourable Sir Alexander Muddiman: The Government of India have seen the article in question I would refer the Honourable Member to the answer to Mr. Mukhtar Singh's question on the same subject on the 4th March, 1927. There was no correspondence between the Government of India and Mr Hagenbeck

INSPECTION OF THE CHERAMBADI POST OFFICE BY THE SUPERINTENDENT OF POST OFFICES, NILGIRI DIVISION

726. *Mr. M. K. Acharya: (*a*) Will Government be pleased to state the date on which the Cherambadi post office was inspected by Lieutenant-Colonel W A Smith Superintendent of Post Offices, Nilgiri Division, in December, 1926?

(b) Is it a fact that the telegraph branch of that office was not inspected by the Superintendent during the time he was at that station on inspection duty, but that after a week of his inspection, the prescribed form of inspection report for that branch was sent to the Sub-Postmaster for filling in the statistical columns and noting the delays in the disposal of telegrams dealt with?

(c) Is it a fact that some of the message drafts which were in the office on the date of inspection had already been despatched by the Sub-Postmaster to the Telegraph Check Office in consequence of which the delays in the disposal of the telegrams for those days could not be noted in the inspection form?

(d) Is this procedure of the Superintendent authorised by the rules of the department? If not, what steps do Government propose to take against the Superintendent? If not, why?

Sir Ganen Roy: (a) 6th December

(b) The telegraph branch was duly inspected. But during the inspection the Superintendent omitted to work out hourly traffic and percentage of delays in disposal of telegrams for which purpose he sent the form of Inspection Report to the Sub-Postmaster for completion

(c) Yes

(d) The procedure adopted by the Superintendent is quite unauthorised. The irregularity has been pointed out to the Superintendent by the Postmaster-General

STOPPAGE OF THE INCREMENTS OF THREE POSTAL OFFICIALS IN THE NILGIRI DIVISION.

727. *Mr. M. K. Acharya: (a) Will Government be pleased to state if it is a fact that the increments of three officials of the clerical cadre in the Nilgiri Division were stopped during January, 1927, for various periods ranging from 3 to 6 months?

(b) If the answer to the above is in the affirmative, what are the names of the officials, the periods for which the increments for each were stopped and the nature of the irregularities committed by each?

(c) Will Government please lay on the table a statement showing the various punishments inflicted by Lieutenant-Colonel Smith since he took charge of the Nilgiri Division and the punishments given by his predecessor for the corresponding period in the previous year?

Sir Ganen Roy: (a) Yes

(b) and (c). The information is being collected and will be supplied to the Honourable Member.

STOPPAGE OF THE INCREMENT OF THE SUB-POSTMASTER, CHERAMBADI POST OFFICE.

728. **Mr. M. K. Acharya:** (a) Will Government be pleased to state if it is a fact that Mr P S Sankaram Pillai, Sub-Postmaster, Cherambadi, was punished by the Superintendent of Post Offices, Nilgiri Division, with stoppage of increment for 3 months for alleged bad work and neglect of duty noticed at the time of inspection of that office in January this year?

(b) Was any memorandum of charges furnished to the official? If so, was it before or after the punishment was inflicted?

(c) Have any instructions been issued to the Superintendents of Post Offices that without observing the usual formalities, such heavy punishments should not be inflicted? If so, when?

(d) Is the action of the Superintendent of Post Offices, Nilgiri Division in punishing the official without furnishing him with a memorandum of charges authorised? If not, what steps do Government propose to take against the Superintendent?

CASE OF MR. V. R. RANGASWAMIER, CLERK IN THE TIRUPUR POST OFFICE IN THE NILGIRI DIVISION.

729. ***Mr. M. K. Acharya:** (a) Will Government be pleased to state why Mr. V. R. Rangaswamier, Clerk. Post Office, Tirupur, in the Nilgiri Division, has not been allowed to pass the first efficiency bar?

(b) Are there any adverse remarks in his character sheet and service book made by Superintendents who were in charge of the Nilgiri Division before Lieutenant-Colonel W. A. Smith or by Postmasters under whom he worked?

(c) Did not the Postmaster, Ootacamund, note in the service book of the official appreciating his work and conduct?

(d) Was any representation received from Mr. V. R. Rangaswamier by the Superintendent of Post Offices, Nilgiri Division, making certain allegations against the acting Head Clerk of that division in connection with his stoppage at the first efficiency bar and asking for inquiries to be made?

(e) Did not the Superintendent, instead of making inquiries as prayed for, furnish the official with a memorandum of charges for substantiating the allegations?

(f) Is it a fact that Mr. V. R. Rangaswamier has also been transferred as a clerk from Tirupur, a second selection grade sub-office to Valparai, a small office, stating that his efficiency of work has to be tested in a more important office than Tirupur?

TRANSFER OF MR. K. A. PARASURAMIAH, SUB-POSTMASTER, COIMBATORE BAZAAR.

730. ***Mr. M. K. Acharya:** (a) Will Government be pleased to state if it is a fact that Mr. K. A. Parasuramiah was Sub-Postmaster, Coimbatore Bazaar, in January, 1927, and that he had been posted there only about two months before that?

(b) Was he transferred to the Coimbatore Head Office as clerk in the month of January, 1927?

(c) Is it a fact that the official who has been appointed as Sub-Postmaster, Coimbatore Bazaar, is junior to Mr. K. A. Parasuramiah?

(d) During the two months Mr K. A. Parasuramiah was in charge of Coimbatore Bazaar, did any serious case occur to justify his removal from the charge of that office?

(e) Has the Postmaster-General, Madras, received any representation from Mr. K. A. Parasuramiah stating that his transfer from Coimbatore Bazaar was due to the agency of Mr. Govindan Nair, the present acting

Head Clerk of that division, simply because he presided over a meeting of the local branch of the All-India Postal and Railway Mail Service Union a few days before the transfer and gave a ruling on some questions that went against the interests of the acting Head Clerk?

(*f*) Will Government please state if any inquiry has been made on the point? If so, what has been the result?

POSTING OF MR. K. APPASWAMIER TO THE CHARGE OF THE WILLOWBUND COMBINED POST AND TELEGRAPH OFFICE.

1. ***Mr. M. K. Acharya:** (*a*) Will Government be pleased to state if it is a fact that the Secretary of the Ootacamund Branch of the All-India Postal and R. M. S. Union wrote on the 18th November, 1926, to Lt.-Col. W. A. Smith Superintendent of Post Offices, Nilgiri Division, stating that the acting Head Clerk of the Division, Mr. Govindan Nair, had unduly favoured Mr. K. Appaswamier, a non-combined official, by posting him to the charge of the Willowbund Combined Post and Telegraph Office and that his action has displeased the whole staff of that office?

(*b*) Was it also stated in the Secretary's communication that Mr K. Appaswamier was head-and-ears in debt and therefore the posting of that official to the charge of an office was opposed to the instructions recently issued by the Director-General, Posts and Telegraphs?

(*c*) Was any schedule of debts obtained by the Superintendent from Mr K Appaswamier on the above communication?

(*d*) Is it a fact that Mr. K. Appaswamier did not include in the schedule of debts he furnished, a sum of money due by him to Mr. V. R. Rangaswamier, Clerk, Post Office, Tirupur?

(*e*) Was any representation received by the Superintendent of Post Offices, Nilgiri Division, from Mr. V. R. Rangaswamier stating that the acting Head Clerk of that Division, Mr. Govindan Nair, requested him to receive payment of the loan from Mr. K. Appaswamier in instalments and not to take legal proceedings against him as otherwise the Superintendent would find out that Mr. K. Appaswamier had not included that amount in the schedule of his debts? If so, what action was taken on that representation?

Sir Ganen Roy: With your permission, Sir, I will answer questions Nos. 728 to 731 together.

The Government have no information. If any individual has a grievance, he is at liberty to appeal in the usual manner

ALLEGATIONS AGAINST MR. GOVINDAN NAIR, OFFICIATING HEAD CLERK OF THE NILGIRI DIVISION.

732. ***Mr. M. K. Acharya:** (*a*) Will Government be pleased to state if any representation has been received by the Director-General of Posts and Telegraphs from Mr. A Krishnier, a clerk in the Nilgiri Division, stating that the present acting head clerk of his Division, when acting as Investigating Inspector there, induced Mr G V. Sitaraman, a leave reserve clerk, whose services were dispensed with for alleged attempt at assault on a postman, to bear false witness against Mr. A. Krishnier by writing to the Postmaster-General that he misbehaved towards the postman at the instigation of Mr A Krishnier?

(*b*) Is it a fact that Mr. A. Krishnier has sent with his representation a copy of a letter, dated the 29th October, 1926, written by Mr. G. V. Sitaraman to him asking his pardon for what he did against his conscience to injure Mr. A. Krishnier?

(*c*) Do Government propose to enquire into the conduct of the officiating Head Clerk, Mr. Govindan Nair?

Sir Ganen Roy: (*a*) and (*b*). No such representation has as yet reached me.

(*c*) Does not arise.

CASE OF MR. A. KRISHNIER, POSTAL CLERK, KOTAGIRI.

733. †**Mr. M. K. Acharya:** (*a*) Will Government be pleased to state if it is a fact that the Superintendent of Post Offices, Nilgiri Division, when requesting the District Medical Officer, Tanjore, in September or October last to examine Mr A. Krishnier, Clerk, Kotagiri on leave, informed the said Medical Officer that the clerk had been directed to appear before the District Medical Officer, Madura, and that he had replied he could do so after finishing his religious ceremonies?

(*b*) If the answer to above is in the affirmative, will the Government be pleased to lay on the table the copies of the correspondence that passed between the Superintendent and Mr. Krishnier?

(*c*) If there were no such correspondence, will Government be pleased to state who is responsible for the report to the Medical Officer, Tanjore, whether the Superintendent or his Head Clerk, Mr. Govindan Nair?

Sir Ganen Roy: (*a*) Yes.

(*b*) and (*c*). A copy of the correspondence has been called for from the Postmaster-General, Madras, and will be furnished to the Honourable Member in due course.

ALLEGATIONS AGAINST MR. GOVINDAN NAIR, ACTING HEAD CLERK OF THE NILGIRI DIVISION.

734. **Mr. M. K. Acharya:** (*a*) Will Government be pleased to state if it is a fact that the present acting Head Clerk of the Nilgiri Division, Mr. M. Govindan Nair was reverted to the clerical time-scale from the cadre of the Inspectors and Superintendents' Head Clerks in 1923 for having abused his official position to obtain loans from the subordinate officials of the division, for having lost important records in investigation cases and for manipulating the divisional gradation list to his own advantage?

(*b*) Is it a fact that he assaulted a member of the public at Uttukuli, where he was Sub-Postmaster after reversion and was let off by the Court on his tendering an apology to the complainant?

(*c*) Will Government be pleased to state the reasons for again appointing him as acting Head Clerk?

Sir Ganen Roy: (*a*) and (*c*). The official in question was reverted after having officiated in the higher cadre. He was re-instated after a careful review of his case by the Postmaster-General.

(*b*) A complaint is understood to have been filed in the Sub-Magistrate's Court, Erode, and was withdrawn through want of evidence.

ALLEGATIONS AGAINST MR. GOVINDAN NAIR, ACTING HEAD CLERK, NILGIRI DIVISION.

735. *Mr. M. K. Acharya: (a) Will Government be pleased to state if it is a fact that the Secretary, Ootacamund Branch of the All-India Postal and R. M. S. Union, wrote to Lt.-Col. W. A. Smith, Superintendent of Post offices, Nilgiri Division, on the 18th November, 1926, stating that his present acting Head Clerk, Mr. Govindan Nair, manipulated in November, 1926, the transfer of Mr. C. V. Rangaswamier, clerk, Ootacamund, from Ootacamund to Coonoor for 3 days, to enable the latter to go to Coimbatore and see his family as no casual leave could be given to Mr. C. V. Rangaswamier and as that official had already expended the usual quota of 20 days due for the year? If so, what action was taken thereon?

(b) Is it a fact that Mr. C. V. Rangaswamier took 8 days' joining time before joining Coonoor, worked at Coonoor for 3 days and again took another 8 days' joining time and joined his appointment at Ootacamund?

(c) Were all the leave reserve clerks of the division absorbed in leave vacancies at the time of Mr. C. V. Rangaswamier's transfer to Coonoor; and if not, why was not a leave reserve clerk deputed to Coonoor for 3 days?

(d) Will the Government be pleased to furnish a statement showing (1) the number of reserve clerks in the Nilgiri Division and how they were distributed in the division in November, 1926, and (2) how many of them were retained in the Superintendent's office then?

Sir Ganen Roy: (a) Yes. No action was taken by the Superintendent as he considered the charge of manipulation to be unfounded. The Postmaster-General, Madras however, is making a further enquiry.

(b) Yes.

(c) No. A reserve clerk knowing telegraphy for a combined office was required but was not available.

(d) The required statement will be furnished to the Honourable Member on its receipt from the Postmaster-General, Madras.

CONSTRUCTION OF A RAILWAY FROM PATNA TO RANCHI.

736. *Mr. Ram Narayan Singh: (a) Is it a fact that before the last European War, the Government had come to a decision to construct a new railway line from Patna to Ranchi?

(b) If so, is the scheme still in the contemplation of the Government and will it be given effect to or has it been abandoned once for all?

(c) Is it in the contemplation of the Government to extend in future the proposed Gaya-Sherghati line further? If so, to what termination?

Mr. A. A. L. Parsons: (a) The reply is in the negative.

(b) Does not arise.

(c) The Gaya-Sherghaty project is at present under consideration. Government are not contemplating its extension.

PAYMENT FOR LAND ACQUIRED FOR THE CHANDIL-BARKAKHANA RAILWAY IN THE CHOTA NAGPUR DIVISION.

737. ***Mr. Ram Narayan Singh:** Are Government aware that although for the Chandil-Barkakhana new railway line in the Chota Nagpur Division, the land has been acquired long ago, some of the people have not yet been paid the price for their land taken? If so, to how many persons and why?

Mr. A. A. L. Parsons: The reply to the first part of the question is in the negative and the second part does not arise.

BLOCKING OF VILLAGE ROADS BY THE CHANDIL-BARKAKHANA RAILWAY LINE.

738. ***Mr. Ram Narayan Singh:** (*a*) Are Government aware that on the Chandil-Barkakhana railway line, wherever the line has crossed village roads, they have actually been blocked in several places to the great inconvenience and sufferings of the people there and that no outlets have yet been allowed by the local railway authority there in spite of several petitions and prayers of the poor suffering villagers there?

(*b*) Is it a fact that the chief village road for the people of the village, Burlanga on the said line on the boundary of the Hazaribagh and Manbhum Districts and in the police station of Gola, District Hazaribagh, has been blocked by the said railway line and that to the great sufferings of the people there and that in spite of several petitions and prayers from the villagers thereof no outlet has yet been given to them?

(*c*) If so, are Government prepared to draw the attention of the local officials there to this fact of the people's difficulties and to ask them to remove the grievances as far as possible?

Mr. A. A. L. Parsons: (*a*) and (*b*) Government have no information.

(*c*) Does not arise.

REFUSAL TO GRANT A PASSPORT TO SARDAR MILAP SINGH, A NEWSPAPER AGENT OF PESHAWAR CITY, TO PROCEED TO CHITRAL.

739. ***Sardar Kartar Singh:** (*a*) Is it a fact that S. Milap Singh, son of S. Kartar Singh, newspaper agent of Bazar Karim Pura, Peshawar City, did apply to the Deputy Commissioner of Peshawar on 14th May 1925, for the grant of a passport to him and his wife for going to Chitral where his father and uncle were carrying on a shop?

(*b*) Was that application disallowed? If so, why?

Mr. E. B. Howell: Enquiry is being made from the local Administration and a reply will be given to the Honourable Member in due course.

EXTERNMENT ORDER AGAINST SARDAR MILAP SINGH, A NEWSPAPER AGENT OF PESHAWAR CITY.

740. ***Sardar Kartar Singh:** (*a*) Is it a fact that the Chief Commissioner, North-West Frontier Province by his order dated 9th June, 1925, purporting to act under section 3 (*e*) of the North-West Frontier Security Regulation, 1922, did direct S Milap Singh to remove himself from the North-West Frontier Province in such manner and by such route as may be prescribed by the Superintendent of Police, Peshawar?

(b) Is it a fact that in consequence of the aforesaid order S. Milap Singh was arrested and, without allowing him time to see his relations and arrange for his business, was banished from North-West Frontier Province?

(c) Was any provision for the maintenance of S. Milap Singh and his family made? If not, why not?

Mr. E. B. Howell: (a) Yes, Sir. The order was served on the 10th June 1925.

(b) Milap Singh complied with the order on the day that it was served.

(c) No, Sir. None was considered necessary.

CANCELLATION OF THE EXTERNMENT ORDER AGAINST SARDAR MILAP SINGH.

741. *Sardar Kartar Singh: (a) Did the Secretary, Shiromani Gurdwara Prabandhak Committee, Amritsar, apply on 17th September, 1926, to the Chief Commissioner, North-West Frontier Province, to cancel the order of externment concerning Sardar Milap Singh?

(b) What has been the fate of that application?

Mr. E. B. Howell: (a) Yes, Sir.

(b) The order was cancelled on the 15th February last.

LEVY OF SURCHARGE ON RAILWAYS.

742. *Sardar Kartar Singh: 1. Will Government be pleased to state:

(a) If it is a fact, that surcharge tax was levied on certain goods carried by Railways in India, during the year 1921-1922?

(b) What kinds of goods were liable to the surcharge tax and what were exempted?

(c) Is it a fact that fodder such as cotton seed and oil-cake were exempted?

2. Are Government aware that the Railway Administrations in India have realised surcharge tax in that year on fodder like cotton seed and oil-cake?

3. Did the Railways pay that amount of surcharge tax so levied to Government; if not, why not?

4. Did Government point out to the various Railways that it was a mistake on their part to levy this tax on fodder?

5. Is it a fact that the Great Indian Peninsula Railway did refund this tax in certain cases, while all other Railways have refused to do so?

6. Did Government instruct the Railways to refund this tax; if so, when, and was that order published, and carried out; if not, why?

7. If the answer to part 6 above is in the affirmative, can the Railways retain this amount with them on the plea of limitation?

8. Is it a fact that several firms claimed refund, but they have been met with the plea of limitation by the Railways?

Mr. A. A. L. Parsons: 1. (a) Yes.

(b) Surcharge was levied on all goods except foodgrains and pulses, fire-wood and fodder.

(c) Fodder was exempt, and cotton seeds and oil-cakes intended to be used as fodder were declared to be also exempt.

2. Surcharge was realised on cotton seeds and oil-cake.

3. The surcharge was collected by Railways on behalf of Government and was paid to Government.

4 and 6. Fodder was exempted under the original instructions. Railways were informed that cotton seed and oil-cake should also be exempted when intended for fodder, and refunds made in any cases in which surcharge had been recovered.

5. Refunds have been made by several Railways.

7 and 8. The law of limitation applies. The amounts, refund of which is barred by limitation, are retained by Government, not by Railways.

DEPARTMENTAL STANDING COMMITTEES.

743. ***Mr. M. S. Aney**: Will Government be pleased to give the following information:

(a) Whether Standing Committees to advise on the subjects in (i) the Home Department, (ii) the Commerce Department, (iii) the Department of Education, Health and Lands, and (iv) the Department of Industries were formed in the years 1924, 1925 and 1926?

(b) If so, who were the members elected by the Legislative Assembly and the Council of State in each of these years on the panels?

(c) What members from the panels were each year nominated by the Members in charge of these departments on the Standing Committees?

(d) How many meetings of each one of these Committees were held in the years above-mentioned?

(e) How many and what private Bills and legislative proposals which the departments concerned undertook or intended to undertake in every one of these years, were placed before each Committee in each of the aforesaid years for their advice?

(f) How many and what reports of Committees and Commissions on which the Indian Legislature was not adequately represented, were discussed at the meetings of these Committees respectively in each one of the aforesaid years?

(g) The dates on which each one of the Standing Committees met in 1924, 1925 and 1926 to discuss the annual reports of their respective departments before formal publication of the same?

(h) Are any formal proceedings of the meetings of these Committees maintained by the departments concerned and will the proceedings of the previous years be available to members who will be nominated on those Committees from the panels hereafter?

The Honourable Sir Alexander Muddiman: The information asked for is being collected and will be supplied to the Honourable Member in due course.

THE BANKURA-DAMODAR RIVER RAILWAY.

744. *Mr. Amar Nath Dutt: (a) Is it a fact that the Bankura-Damodar River Railway is a guaranteed Railway? If so, will the Government be pleased to state what amount, if any, it had to contribute to the Railway during the past 3 years?

(b) Has the line ever been able to pay the guaranteed dividend since its construction?

(c) Have Government considered or do they propose to consider whether it is possible to increase the income of the line by extension towards the north and south from Sehara Bazar railway station?

Mr. A. A. L. Parsons: (a) Yes. The guaranteed interest paid to the Railway Company during the last three years was—

	Rs.
1923-24	86,909
1924-25	88,518
1925-26	1,03,026

(b) The reply is in the negative.

(c) Government do not propose to initiate such an enquiry.

CONSTRUCTION OF THE HOWRAH-VISHNUPUR CHORD LINE.

745. *Mr. Amar Nath Dutt: Is it a fact that the people of the Arambagh sub-division in the district of Hooghly are cut off from all connection with the district headquarters for several months in the year for want of any railway communication? If so, do Government propose to give the people of the locality more facility of communication by expediting the construction of the Howrah-Bistupur chord?

(b) When do Government propose to undertake construction of the Howrah-Bistupur chord line?

Mr. A. A. L. Parsons: (a) and (b). It is presumed the Honourable Member refers to the Howrah-Vishnupur chord. If so, his attention is invited to the reply given to his question No. 519 on the same subject on the 26th February, 1924.

CONSTRUCTION OF A RAILWAY FROM CHAMPADANGA TO TARAKESWAR.

746. *Mr. Amar Nath Dutt: Do Government propose to consider the feasibility of constructing a line from Champadanga on the Howrah-Amta Light Railway to Tarakeswar on the East Indian Railway?

Mr. A. A. L. Parsons: The matter is under consideration.

LOCATION OF THE BUJRUKDIGHI POST OFFICE IN A CENTRAL VILLAGE.

747. *Mr. Amar Nath Dutt: (a) Are Government aware that with the opening of a post office at Sehara in the district of Burdwan, the northern jurisdiction of the Bujrukdighi post office has been reduced greatly?

(b) Is it a fact that now the situation of the Bujrukdighi post office in the district of Burdwan is not central? If so, are Government prepared to

consider the question of shifting the Bujrukdighi post office to some central village within its jurisdiction such as Chakchandan or Keshabpur for the convenience of the public?

Sir Ganen Roy: (*a*) Yes.

(*b*) The fact is as stated. The question of moving the post office now at Bujrukdighi to some central village is already under consideration by the Postmaster General.

SUBSTITUTION OF A SUITABLE TERM TO DESCRIBE THE GENERAL CONSTITUENCIES OF THE LEGISLATURES.

748. ***Mr. Amar Nath Dutt:** (*a*) Are Government aware that the term "Non-Mahomedan" in describing general constituencies of the Legislatures is resented by the Hindus?

(*b*) Do Government propose to change the term "Non-Mahomedan" and substitute the term "Indian" or "General" or any other suitable term, in place of the former in describing the general constituencies of the Legislatures?

The Honourable Sir Alexander Muddiman: (*a*) and (*b*). I refer the Honourable Member to my reply to Mr Ranga Iyer's question No. 92, dated the 26th August 1925.

PAY OF SUPERINTENDENTS OF POST OFFICES.

749. ***Mr. Jamnadas M. Mehta:** Is it a fact that the last revision of pay gave about 90 per cent. of Superintendents of Post Offices a petty increase of Rs. 5—20 per head only? If so, will Government be pleased to state whether this is the relief which Government intended to afford these officers in response to their representations?

The Honourable Sir Bhupendra Nath Mitra: No. In addition to immediate increases of pay ranging from Rs. 5 to Rs. 50 per mensem in individual cases, the scale of pay as a whole was improved by Rs. 50 per mensem both as regards minimum and maximum, while the period required to reach the maximum was slightly reduced.

I may mention that this was the second revision of Superintendents' pay since December, 1919, prior to which the pay of these officers ranged, by grades, from Rs. 200 to Rs. 600 as compared with the now existing time scale of Rs. 300 rising to Rs. 750.

The answer to the second part of the question is in the affirmative

PAY OF A PERSONAL ASSISTANT TO A POSTMASTER GENERAL PROMOTED TO THE RANK OF A DEPUTY POSTMASTER GENERAL.

750. ***Mr. Jamnadas M. Mehta:** Is it a fact that a senior Superintendent of Post Offices working as Personal Assistant to Postmaster General would draw less if promoted to the rank of a Deputy Postmaster General in the same office?

Sir Ganen Roy: Yes, unless, as is usually the case, he has officiated as Deputy Postmaster General and has on promotion one or more increments to his credit.

PROVISION OF COMFORTS FOR PILGRIMS TO THE KUMBH MELA.

751 *Rai Bahadur Tarit Bhusan Roy: (a) Has the attention of Government been drawn to the fact that on the occasion of the forthcoming Kumbh Mela there will be a huge gathering of Hindu pilgrims at Brindaban and Hardwar from all parts in India in March and April next?

(b) What arrangements have been made and are being made to prevent overcrowding in railway trains and to secure the comfort and convenience of passengers?

(c) What arrangements have been made for sanitation, medical help, the provision of drinking water and food for such pilgrims on the Railways?

(d) What arrangements, if any, have been made for preventing the conveyance of passengers to and from those places in wagons?

Mr. A. A. L. Parsons: (a) Yes.

(b) (c) and (d) The question has been under consideration for some time past and all necessary measures are being taken by Railway Administrations, in conjunction with the civil authorities, to prevent overcrowding and to secure the convenience of passengers by the provision of special trains appointment of additional supervising and other staff, medical and sanitary arrangements, drinking water and other measures generally

DISMISSALS ON THE BENGAL NAGPUR RAILWAY.

752 *Rai Bahadur Tarit Bhusan Roy: Will Government be pleased to state whether it is a fact that:

(a) In the beginning of the year 1926, several employees of the Bengal Nagpur Railway at Kharagpur were dismissed and Mr Cole, the Chief Mechanical Engineer, directed an enquiry to be made into the causes of such dismissals and as the results whereof most of the dismissed men were reinstated?

(b) How many employees were so dismissed and how many of them were reinstated?

The Honourable Sir Charles Innes: In the period referred to twenty-two men were dismissed mainly in connection with a series of piecework frauds and an enquiry was ordered by the Chief Mechanical Engineer into these cases As a result of this examination it was concluded that illiterate men who had been dismissed in this connection were probably less to blame than the other employees concerned and nineteen out of the twenty-two were accordingly given the benefit of the doubt and reinstated

ALLEGED ASSAULT AND DISMISSAL OF SUKHLAL, AN EMPLOYEE OF BENGAL NAGPUR RAILWAY WORKSHOP AT KHARAGPUR.

753 *Rai Bahadur Tarit Bhusan Roy: Will Government be pleased to state whether it is a fact that on or about the 15th of June, 1926, one Sukhlal, an employee of the Kharagpur Workshop, had an attack of sunstroke and became unconscious and that one Mr. Round of the Kharagpur Workshop dragged him by his hair and subsequently dismissed him on the plea of unsatisfactory work?

The Honourable Sir Charles Innes: The Agent has been asked for a report on the alleged occurrence.

NUMBER OF INDIAN SUPERINTENDENTS IN THE FOREIGN AND POLITICAL DEPARTMENT.

754. *Mr. Gaya Prasad Singh: (a) Will Government kindly give the total strength of the ministerial establishment in the Foreign and Political Department of the Government of India, and the number of appointments of Superintendents of gazetted rank?

(b) Has any Indian ever been appointed as Superintendent of gazetted rank? If so, who, and when and for what period?

Mr. E. B. Howell: (a) The total strength of the ministerial establishment in the Foreign and Political Department of the Government of India is 127. There are 10 Superintendents of gazetted rank including one for the appointment of Assistant Secretary to the Resident at Hyderabad Particulars regarding those appointments are contained in the Foreign and Political Department Quarterly List, of which a copy is available in the Library.

(b) Khan Bahadur Inam-ul-Hak was appointed to officiate as a Superintendent for about one year, from 1st January, 1921 to 31st August, 1921, and again from 4th November, 1921 to 28th February, 1922, Mr. Pran Kishen for 4 months—from 17th November 1924 to 16th March, 1925, and Rai Bahadur Ramji Das for 1 month with effect from 9th February, 1927.

EMPLOYMENT OF INDIANS IN THE CYPHER BUREAU OF THE FOREIGN AND POLITICAL DEPARTMENT.

755 *Mr. Gaya Prasad Singh: (a) Is it a fact that a Cypher Bureau has been established in the Foreign and Political Department of the Government of India for about 2 years, for cyphering and decyphering telegrams of a confidential nature to and from the Secretary of State?

(b) Has any Indian been appointed in this Bureau; if so, who? And if not, why not?

Mr. E. B. Howell: I am afraid that it is not in the public interest to divulge information relating to what must necessarily, as the Honourable Member will appreciate, be a secret and confidential service.

Sir Hari Singh Gour: Does the Honourable Member consider the answer to clause (b) of the question as equally confidential?

Mr. E. B. Howell: That must be a matter of opinion

Sir Hari Singh Gour: Clause (b) is not a matter of opinion I am asking if any Indian has been appointed?

Mr. E. B. Howell: Did not the Honourable Member ask me if I considered the answer to clause (b) as equally confidential?

Sir Hari Singh Gour: I wish to know whether the Honourable Member is prepared to give me an answer to part (b) of the question?

Mr. E. B. Howell: I am not prepared to give any further answer.

NON-EMPLOYMENT OF INDIANS IN CERTAIN SECTIONS OF THE CHIEF OF THE GENERAL STAFF BRANCH.

756. *Mr. Gaya Prasad Singh: (a) Is it a fact that in certain sections of the office establishment of the Chief of the General Staff Branch of the Army Department, no Indian has ever been appointed?

(b) How many such sections are there, and what is the total strength of each?

(c) If no Indian has ever been appointed in such sections, will the Government be pleased to give the reasons?

Mr. G. M. Young: (a) Yes.

(b) Two. The strength of one section is 5 and of the other 6.

(c) The nature of the work in these sections demands military experience which Indian clerks do not possess.

GRANT OF PENSIONS, PROVIDENT FUND OR GRATUITIES TO THE CLERICAL ESTABLISHMENT OF THE AUXILIARY AND TERRITORIAL FORCE UNITS.

757. *__Mr. Gaya Prasad Singh:__ (a) With reference to my question No. 322 of the 3rd September, 1924, will Government kindly state if the Committee which was appointed about that time made any recommendation that the clerical establishment of the Auxiliary and Territorial Force Units in India and Burma, should be granted any pension, provident fund, or gratuity? Will the Government kindly state the recommendations of the Committee in this respect?

(b) Do Government propose to give the clerical establishment any sort of relief referred to above?

Mr. G. M. Young: (a) As was stated in reply to the Honourable Member's previous question, the committee, which met over two years ago, was an informal one. It was locally convened at Calcutta, and consisted of local Auxiliary and Territorial Force officers. It made no recommendation to Government, and Government do not propose to give publicity to any of its proceedings.

(b) No, Sir, the present terms of service are sufficiently attractive to obtain the required clerks.

GRANT OF FACILITIES FOR THE ERECTION OF A ROMAN CATHOLIC CHURCH IN NEW DELHI.

758. *__Mr. M. Ruthnaswamy:__ Will Government be pleased to state:

(1) whether Government have offered any facilities for the building of a Roman Catholic Church in New Delhi?

(2) if not, whether they propose to consider the question of granting the same facilities as have been offered for the building of a temple and of a mosque in New Delhi?

The Honourable Sir Charles Innes: (1) A site of 14 acres has been granted for the purpose of erecting a Roman Catholic cathedral, college, convent and episcopal residence, on the terms on which sites are ordinarily granted in New Delhi for religious, philanthropic and educational institutions.

(2) Does not arise.

Mr. M. Ruthnaswamy: May I ask, Sir, whether any conditions have been imposed in regard to the grant of facilities for building a temple or a mosque?

The Honourable Sir Charles Innes: As I informed the Honourable Member, there are certain terms on which sites are granted for religious purposes.

INDIAN CHRISTIANS IN THE SUPERIOR GRADES OF THE RAILWAY, POSTS AND TELEGRAPHS AND CUSTOMS SERVICES.

759. ***Mr. M. Ruthnaswamy:** Will Government be pleased to state the number of Indian Christians in the superior grades of:

(1) the Railway service,

(2) the Posts and Telegraphs services,

(3) the Customs service?

Mr. A. A. L. Parsons: (1) Statistics are not available with regard to the railway services.

(2) and (3). The information in regard to the Posts and Telegraphs and Customs Services is being collected and will be sent to the Honourable Member in due course.

Mr. M. Ruthnaswamy: May I ask, Sir, whether the information with regard to the railway service is available?

Mr. A. A. L. Parsons: Our statistics only differentiate between Muslims and Hindus and other classes: and I do not think we can obtain figures to show which of the employees under "other classes" hold the Christian religion.

CONSTRUCTION OF RAILWAYS TO SERVE THE COUNTRY WEST OF THE VIZAGAPATAM HARBOUR.

760. ***Mr. M. Ruthnaswamy:** Will Government be pleased to state whether the country to the west of Vizagapatam Harbour will be sufficiently served by railways when the harbour is completed?

Mr. A. A. L. Parsons: At present the Raipur-Vizianagram Railway is the only line under construction. It is too early to say yet what other lines may be undertaken when the harbour has been completed.

UNSTARRED QUESTIONS AND ANSWERS.

PASSPORT RULES.

177. **Pandit Thakur Das Bhargava:** Are the rules relating to passports for persons entering India by sea not applicable to the case of persons who enter British India by land from across the British borders? If the reply is in the negative, will Government please lay on the table of the House those rules? If the reply is in the affirmative, will Government kindly state the ground for this distinction?

Mr. E. B. Howell: The rules relating to passports for persons entering India by sea are only applicable to persons entering British India by land on certain of the main routes, namely, the Chaman, Khyber, and Nushki routes. Complete passport control over the many thousand miles of India's land frontier has been found impossible for physical and financial reasons.

PENSIONS OF CERTAIN CIVILIAN CLERKS WHO PROCEEDED ON FIELD SERVICE OVERSEAS WITH THE INDIAN EXPEDITIONARY FORCES.

178. **Pandit Thakur Das Bhargava:** (*a*) Are Government aware that certain civilian clerks who proceeded on Field Service overseas with the Indian Expeditionary Forces and returned from service during or soon after the close of the Great War were losers in pensions as compared with their juniors who evaded field service and remained in India, as they were deprived of their acting and sub. *pro tem.* promotions in India and the Field and deputation allowances drawn by them in the field were not counted towards pension?

(*b*) If so, what action have Government taken or now propose to take to compensate them for such losses?

The Honourable Sir Alexander Muddiman: No such case has come to the notice of Government. It is open to any clerk who considers that he has lost in pension owing to service overseas with the Expeditionary Forces to represent his case to Government

GRANT OF THE CONCESSION OF COUNTING DEPUTATION ALLOWANCE TOWARDS PENSION TO THE CLERKS OF THE MILITARY ACCOUNTS DEPARTMENT INVALIDED IN THE GREAT WAR.

179. **Pandit Thakur Das Bhargava:** (*a*) Is it a fact that the civilian clerks deputed to the Military Accounts Department during the last Great War, were allowed to count deputation allowance towards pension under Finance Department letter No. 1231, dated 27th July, 1917?

(*b*) If so, do Government propose to extend this concession to the clerks of the Military Accounts Department who were invalided in the Great War with a view to increase their pensions?

The Honourable Sir Basil Blackett: (*a*) The reply is in the affirmative.

(*b*) The reply is in the negative. The cases are not quite analogous.

I would point out that unless there is some explanation of which I am unaware, a serious irregularity has been committed in the placing in the non-official Member's hands of a copy of a Finance Department letter which has never been published

SANCTION OF SPECIAL PENSIONS UNDER ARTICLE 924 (*b*) OF THE CIVIL SERVICE REGULATIONS.

180 **Pandit Thakur Das Bhargava:** (*a*) Will Government be pleased to state whether any special pensions were sanctioned by the Government of India since 1914 under the authority of Article 924 (*b*), Civil Service Regulations (Edition 1918)?

(*b*) If so, under what circumstances were they sanctioned?

SANCTION OF SPECIAL PENSIONS UNDER ARTICLE 924 (*a*) OF THE CIVIL SERVICE REGULATIONS.

181. **Pandit Thakur Das Bhargava:** (*a*) Will Government please state whether any applications for pensions in excess of the amounts admissible under Civil Service Regulations or involving any relaxation of the rules

were submitted for sanction of the Secretary of State since 1914 under Article 924 (*a*), Civil Service Regulations (Edition 1918)?

(*b*) If so, under what circumstances?

The Honourable Sir Basil Blackett: I propose to reply to questions Nos. 180 and 181 together Special pensions are given very sparingly under this rule. The collection of the detailed information from the records of twelve years would involve expenditure of time and trouble out of proportion to any advantage which could be gained from the enquiry.

REVISION OF THE PAY OF THE MINISTERIAL STAFF IN ATTACHED OFFICES OF THE GOVERNMENT OF INDIA.

182. **Maulvi Muhammad Shafee:** (*a*) Will the Government be pleased to state whether the question of revision of the pay of attached offices of the Government of India is under consideration?

(*b*) If so, what stage has the matter reached?

(*c*) Has the scale of pay of the stenographers of the attached offices been already revised and enforced?

(*d*) If so, is it a fact that the present scale of pay of stenographers in the attached offices is higher than that of the assistants?

(*e*) If the reply to (*d*) is in the affirmative, is it not inconsistent with the practice in the Secretariat offices?

The Honourable Sir Alexander Muddiman: (*a*) and (*b*). A representation on the subject has been received and is under consideration.

(*c*) Yes.

(*d*) In most attached offices this is so.

(*e*) In the Secretariat Offices the stenographers draw Rs. 175—500 while assistants draw Rs. 200—500.

CLAIMS OF MUSLIMS TO APPOINTMENTS AS MEDICAL OFFICERS OF THE STATE RAILWAYS.

183. **Nawab Sir Zulfiqar Ali Khan:** Will Government be pleased to state:

(*a*) the present strength of the cadre of medical officers of the Indian State Railways, (East Indian Railway, Great Indian Peninsula Railway and Eastern Bengal Railway)?

(*b*) the number of Hindus, Moslems and Christians in that cadre?

(*c*) when the last Muhammadan was appointed to that cadre?

(*d*) whether there are any appointments contemplated to that cadre? and

(*e*) if the answer to (*d*) above be in the affirmative, whether qualified Muhammadan candidates will receive favourable consideration?

The Honourable Sir Charles Innes: (*a*) 32 (including 1 temporary), of which 3 appointments are held in abeyance.

(b) Hindus 6 (including 1 to whom an appointment has been offered but who has not yet joined).

Muslim 1.

Other classes 22.

(c) 4th April 1916.

(d) Appointments will be made as vacancies occur.

(e) Claims of Muslim candidates will be fully considered along with those of others.

WATER TAXES IN JUTOGH CANTONMENT.

184. **Pandit Thakur Das Bhargava:** 1. Is it proposed to revise the water taxes in Jutogh Cantonment?

2. What are the present rates of water tax in Simla, Jutogh and Kasauli?

3. By what amount is the water rate in Jutogh Cantonment contemplated to be increased?

4. What is the present basis of apportionment of tax and what will be the basis of the contemplated increase of the apportionment of the tax?

5. Is it a fact that there is only one main pipe and one meter for the Bazaar in Jutogh Cantonment?

6. Is it a fact that in days of scarcity of water the bazaar supply is reduced to half before the supply to Cantonment bungalows is affected?

7. Is it a fact that there are public water stand posts and troughs connected with the main pipe whose water supply is measured by the meter for the bazaar?

8. Is it not a fact that Jutogh Bazaar is the pass for Kashmir, Dhami, Arki, Bilaspur, Suket Mandi, Hoshiarpur, Ambala and various other important places and that hundreds of men, cattle and mules unconnected with the Bazaar have to pass every day from the bazaar and that the water used by them is also charged from the bazaar people?

9. What other taxes do the bazaar people of Jutogh Cantonment pay?

10. Are Government prepared to reconsider the situation and leave the water taxes as they are?

Mr. G. M. Young: (1) The answer is in the negative.

(2) to (10). If in view of the answer to (1) the Honourable Member still desires the remaining information, or part of it, and will kindly communicate with me, I will have the necessary inquiries made.

PETITIONS RELATING TO THE CURRENCY BILL.

Kumar Ganganand Sinha (Bhagalpur, Purnea and the Santhal Parganas: Non-Muhammadan): Sir, under Standing Order 78, I have to report that five petitions signed by 12 persons as per statement laid on the table have been received relating to the Bill further to amend the

Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold exchange, which was introduced in the Legislative Assembly on the 25th January, 1927.

Statement.

Petitions received relating to the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold exchange, which was introduced in the Legislative Assembly on the 25th January 1927.

Number of signatories.	District or town.	Province.
7	Patna	Bihar and Orissa.
4	Bankipore	Do.
1	Arrah	Do.

REPORT OF THE COMMITTEE ON PETITIONS *RE* PETITIONS RELATING TO THE CURRENCY BILL.

Maulvi Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Sir, I have the honour to lay on the table the *Report of the Committee on Petitions relating to Bills. These petitions all relate to the Bill further to amend the Indian Coinage Act and the Indian Paper Currency Act.

ORDER OF THE DEBATE ON DEMANDS FOR GRANTS.

The Honourable Sir Alexander Muddiman (Leader of the House): Sir, I have been approached on the question of the order in which the debate on Demands for Grants should be taken. I propose, Sir, with your permission, that we should adopt the course which I understand commends itself to the majority of the Members of this House. As, of course, it is right that Members should have due notice of this arrangement, I will state for the information of the House the procedure it is proposed to follow. We shall first of all take the Demand for Grant under the head " Executive Council ", Demand No. 28. We shall then proceed to the Demands under Customs, Post Office, and Salt, Nos. 16, 23 and 18. Thereafter, we shall take the Demands under Army, Income-tax and Opium, Nos. 38, 17 and 19. Thereafter, the Legislative Department and Debt Redemption, Demands Nos. 33 and 25, will be taken, and thereafter the Industries and Labour Department, No. 39. If further time is available for discussion, the remainder of the Demands for Grants will be taken in the order in which they stand on the Order Paper.

Mr. President: I do not know if the Leader of the House has agreed with the leaders of the other parties with regard to the time to be allotted to each Grant.

*Not printed.

The Honourable Sir Alexander Muddiman: Sir, it is not in my power deal with that question: it rests with the House and with you, Sir.

Mr. President: The difficulty is that if the "Executive Council" Demand taken up first, the question is whether all the parties of the House ould agree that that should be finished on the first day and certain other rants should be taken on certain other days and disposed of on those ays. (*Cries of* " Yes, yes ".)

Then I hope no Honourable Member will rise after 5 o'clock on the h and thus enable the Chair to dispose of the first Grant on that day.

The Honourable Sir Alexander Muddiman: I shall be very pleased, Sir, that is adopted by the House.

The Honourable Sir Basil Blackett (Finance Member): Sir, I do not opose to lay on the table the statement regarding the action taken on ie recommendations of the Retrenchment Committee. In the interests of onomy I have arranged for it to be circulated to Honourable Members nd, as it is rather a lengthy document, it will be unnecessary to reprint in the debates if it is not laid on the table.

THE CURRENCY BILL.

The Honourable Sir Basil Blackett (Finance Member): I rise to move iat the Bill further to amend the Indian Coinage Act of 1906 and the ndian Paper Currency Act, 1923, for certain purposes and to lay pon the Governor General in Council certain obligations in regard to ie purchase of gold and the sale of gold exchange, be taken into consi- eration. This Bill is substantially the same Bill as that which was itroduced into the last Assembly in August last at Simla but was not roceeded with in view of the strong desire expressed on all sides of the Iouse for its postponement. The principle of the Bill is that the time as come to stabilize the rupee at a fixed gold value and for that purpose) impose on the Currency Authority a statutory liability, never before nposed, to maintain the rupee at the ratio to gold so fixed. In the re-war system, there were no statutory provisions preventing the rupee rom falling below the fixed ratio to gold, so that the link between the rupee nd gold was imperfect. The Bill now before us is intended to be opera- ive only during the interim period between the time it is passed into iw and the time when the Gold Standard and Reserve Bank Act comes ito operation. The future of Indian currency after that date will be egulated by the provisions of the latter Act. This Bill is, therefore, a ransitional measure only.

2. But though the Bill is limited in scope, it raises directly a question which has become a matter of somewhat acute controversy, namely, he question of the exact ratio which should be fixed between the rupee nd gold. In view of what has happened between now and last August, t is in my opinion, no longer possible to divorce the principle f this Bill from the question of the exact figure at which the rupee hould be stabilised. Either the risks of immediate stabilization and he objections to immediate stabilization are still so great as to make it

desirable to wait a little longer or the time has come to stabilize the rupee at a ratio of 8·47 512 grains of gold, that is, the ratio corresponding to 1*s*. 6*d*. gold per rupee. The principle of the Bill is that the time has come to restore real stability to Indian currency, and that can only be at 1*s*. 6*d*. To put 1*s*. 4*d*. on the Statute Book now means not stability but a new and exceedingly uncomfortable period of instability of financial and economic conditions in India, all the more difficult and dangerous because it would be brought about, not gradually or by the operation of ordinary causes affecting exchange, but by the arbitrary fiat of the Government and Legislature and in a catastrophic manner.

3. Let the House consider what is really involved in the proposal to amend this Bill so as to fix the ratio forthwith at 1*s*. 4*d*. instead of 1*s*. 6*d*. gold. It means that a statutory obligation is imposed on the Government as Currency Authority forthwith to water the currency to whatever extent may be necessary to prevent exchange from rising above approximately 1*s*. 4$\frac{3}{16}$*d*. The moment it became known that the Government were prepared to accept the views of the school which desires to substitute 1*s*. 4*d*. for 1*s*. 6*d*. in this Bill, exchange would fall at once to the neighbourhood of 1*s*. 4$\frac{3}{16}$*d*. and the Government would have no option but to expand the currency by a very large amount in order to keep exchange down to that figure. There is very little doubt that the expansion required in the first instance would be in excess of what would ultimately prove requisite. This nearly always happens when a special effort has to be made to keep exchange down. After a certain time the pendulum would swing back and a new period of contraction of currency such as we have recently been experiencing would ensue in order to prevent exchange from falling below approximately 1*s*. 3$\frac{13}{16}$*d*., that is, below the gold export point corresponding to 1*s*. 4*d*.

4. The first effect would be to cause something like a financial panic, with all round dislocation of business and enormous and entirely unmerited losses to all sorts of people in India. There would be a sharp rise in prices all round, a rise of approximately 12½ per cent. the greater part of which would naturally take place at once. There would be labour unrest and social and economic discontent all over India. What answer could the Government and the Legislature give to bankrupt merchants and traders whose misfortunes were entirely due to their action? What answer could the Government and the Legislature give to wage-earners, industrial, agricultural and commercial, whose real wages had been suddenly and arbitrarily reduced? What would be the position of the Government and of this House towards Government employees of all classes? Many Members of this House have been pressing the claims of the postal servants and of the telegraphists for improved conditions or have been complaining of the unduly low wage of the railway men or of the clerical establishments in various Government departments. Is anyone in the House prepared to contend that the Government would be justified in refusing or that they would support the Government in refusing any increase in money wages to the postmen, to the lower paid clerical staff in Government offices, to the railway workmen and so forth, if these employees of the Government came forward, as they undoubtedly would, with a complaint that the Government and the Legislature had reduced their real wages by 11 per cent. and a demand for a compensatory increase in money wages?

[Sir Basil Blackett.]

5. Look again at the case of the factory hands and industrial and commercial employees generally. It is not denied that the hope of effecting a concealed reduction of wages is nakedly present in the minds of many of the advocates of 1*s.* 4*d.* Are the House satisfied that the real wages of the workers all over India are on a scale which justifies an all-round reduction of something like 11 per cent? Clearly, this is not the case. Even if there are particular industries where wages are at present unduly high, the Currency Commission are on sure ground in saying that it is not sound policy to use the currency as a lever to reduce wages. And even in the special case of wages in the Bombay cotton mills, are the House prepared to decree a heavy cut? A big Bombay mill-owner was asked not long ago if he thought wages could stand a reduction and his answer was "as a mill-owner, yes: as a humanitarian, no". The inevitable result of a reduction of the exchange to 1*s.* 4*d.* would be a series of strikes all over the country, in the cotton industry, in the jute mills, in the iron and steel works, wherever the employers were unwilling to make a corresponding increase in money wages. Even supposing that the Government were prepared to stand silently by as strike after strike took place and leave the employers to fight the matter out with their employees, does Sir Victor Sassoon, does Mr. Gavin Jones, really think that when his workmen come to him and say "You have made a cut of 11 per cent. in the value of our wages and we want a rise", he can reply, "No, we have not cut your wages. It is the Government who have cut your wages. They have done it in the interests of India. Incidentally, of course, it helps our pockets, but it only means that you will no longer waste your money on extravagant luxuries and be willing to work harder"? After his evidence before the Currency Commission, does Sir Victor Sassoon really think that he can take that line and avoid a series of strikes or that he will have the sympathy of the public when the strikes come?

6. I do not forget that in a speech on the Railway Budget Sir Victor Sassoon repudiated his evidence before the Currency Commission and tried to make out that the cost of living would not rise by more than one or two per cent. His argument was based on the analogy of what took place when exchange was gradually rising and the index numbers of wholesale and retail prices were influenced by many factors besides exchange. This analogy is of little value for the case now before us, when with no change in any of the other factors, the established rate of exchange is to be suddenly and violently altered. Clearly Sir Victor Sassoon proves a little too much. If he is going to raise the price of his own cotton goods by something like 12½ per cent. and the agriculturist is going to get 12½ per cent. more in terms of rupees for cotton and food grains, the cost of living for the wage-earner must go up correspondingly. Sir Victor Sassoon would have been wiser to stick to the evidence he gave to the Currency Commission. It is absurd to pretend that the cost of living will not go up immediately by the greater part of 12½ per cent., and eventually be higher by the full 12½ per cent. with exchange at 1*s.* 4*d.* instead of 1*s.* 6*d.* The Honourable Baronet's argument is demonstrably wrong, and in addition is a complete denial of the whole foundation of his other arguments about the gain to the agriculturists from the 1*s.* 4*d.* ratio.

7. Whatever the arguments for or against immediate stabilisation at 1*s.* 6*d.*, I submit that the alternative of immediate stabilisation at 1*s.* 4*d.* is entirely out of the question. It is absolutely unthinkable, that we

should suddenly and arbitrarily decree a depreciation of 11 per cent. in the value of every rupee, every currency note, every title to money in India. The choice, if there is a choice, must be between stabilising at 1*s*. 6*d*. now and not stabilising at all at present. A decision not to stabilise at all at present is not inconceivable. There are indeed some distinguished advocates of this course, such as Sir Charles Addis, and it has, I believe, some support in Calcutta among some of the exchange bankers. The view which this school puts forward is, I think, that it is open to question whether gold prices and conditions generally the world over have sufficiently settled down as yet so as to justify India in finally surrendering her freedom to give preference, in case prices fall or rise steeply, to stability of prices rather than stability of exchange. Some of them go on to say that the existence of large quantities of silver rupees in India in excess of those required for circulation and the well-known pitfalls that all attempts to deal with Indian currency hitherto have stumbled into afford extra reasons for special caution and even make it doubtful whether stabilization is really possible at any figure whatever.

8. The answer to this school may be given shortly. First of all, the Commission are unanimous in recommending immediate stabilization after fully considering all the arguments against. In the second place, we have in fact enjoyed absolute stability of exchange for practically two years and in relation to sterling for 2½ years and India has greatly benefited thereby, and the Currency Authority has in fact managed fairly comfortably to maintain stability in spite of the recognised difficulties, which may indeed be said to have, to a very large extent, been already met and overcome during the last two years. Indeed not the least important of the arguments for stabilising now at 1*s*. 6*d*. gold is the fact that any other course involves undoing what has been done and taking the risks of having to begin all over again.

9. Theoretically, it is true that stability of prices and stability of exchange are not absolutely compatible. But as a matter of history, the two have more often been found in conjunction than in isolation; and except in times of world convulsions the experience of mankind goes to show that stability of exchange has been a useful contributory factor in maintaining reasonable stability of prices. It is impossible to prophesy the future course of prices or to say with absolute assurance that world conditions in general are now making for stability. The present ferment in China is clearly a new argument on the other side. But the Commission satisfied themselves that there were good prospects of reasonable stability. Most people, I think, will accept the view of the Currency Commission that, "there is not any event in the foreseeable future which would be likely to make conditions more favourable for the purpose of stabilisation than they are at present, and the outcome of which ought therefore to be awaited". Moreover, there are some special factors which are making for the maintenance of stability of world prices generally. It is well-known that the strongest financial countries, Great Britain and the United States of America, are both directing their monetary policy towards the maintenance of stable prices at somewhere round the Index number of 150 as compared with 100 prewar. This has been publicly affirmed to be the policy of the Federal Reserve Board of the United States.

10. There are also some arguments peculiar to the present conditions in India which reinforce the view taken by the Government in this Bill

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namely, that the time for immediate stabilisation has arrived. A decision to postpone immediate stabilisation would have consequences not indeed so disastrous as a decision to stabilise at once at 1*s.* 4*d.*, but extraordinarily disturbing. It would mean going back on the policy adopted by the Government on the recommendation of the Currency Commission last August, a retrograde step from certainty to renewed uncertainty, and therefore all the more unsettling. There are, I suppose, three alternative courses which might possibly be taken if the Legislature came to the conclusion that it was undesirable to concede the principle of this Bill. The first is that the Government should continue, as they have been doing, by executive action, to maintain the ratio at 1*s.* 6*d.* and take some later opportunity to secure statutory authority for that ratio. If this course were taken with the full concurrence of the Legislature, it would obviously be only very slightly different in its results from the effects of passing this Bill into law. But it would be less convenient from the point of view of both the Government and the country. The inoperative ratio of 2*s.* would remain on the Statute Book, gold would still not be receivable at the *de facto* rate, and there would be no statutory obligation to prevent exchange from rising above or falling below the gold points. Further the unnecessary complications in our accounts could not be got rid of for the time being and there would presumably continue to be some agitation in the country and some consequent uncertainty in the money market regarding the permanence of the 1*s.* 6*d.* ratio. The two remaining alternative courses depend on the assumption that it has been decided that the time has not yet come to arrive at any conclusion as to what the ratio should be. Either the Government as Currency Authority might leave the exchange entirely to the play of natural forces or it might aim at stabilising prices at or around some given Index figure, while leaving exchange to fluctuate with reference to external causes affecting world prices. The first of these alternatives means, I suppose, that the Government would withdraw entirely from the responsibilities which it at present undertakes for the regulation of the supply of legal tender. It would neither add to the currency by expansion nor reduce it by contraction, and would leave the exchange to be regulated by the combined effect of internal weather and other conditions inside India and the movements of external prices. The Government would in fact give up altogether what is called by its opponents the manipulation of currency and no other authority would take its place. If the Government had done this in the last three or four years, the course of the rupee sterling exchange would have showed most extraordinary and violent fluctuations. It might have gone up to 2*s.* at one time and come down again to 1*s.* 6*d.* or possibly even lower. The ultimate effect of complete withdrawal by the Government would, I suppose, theoretically be to push exchange eventually to 2*s.*, the figure on the Statute Book. But the picture is not really a conceivable one. Any such complete withdrawal by the Government in the winters of 1923-24 and 1924-25 would undoubtedly have been followed by widespread bankruptcies owing to abnormal stringency in the money market and for the time being all possibility of Government borrowing in India would have come to an end. The Government would have been unable to meet its maturing obligations otherwise than by borrowing outside India. All railway development and other capital development would have been brought to a sudden stop and most businessmen would have been driven out of business. Indeed a very

short experience of such abstention by the Government would have resulted in the commercial communities coming in deputation to Government and imploring them to take action or, alternatively, in a successful revolution to get rid of the Government altogether. (*Mr. T. C. Goswami*: " A jolly good thing ".) The policy of complete abstention is not, therefore, practical politics.

11. If the Government do not abstain completely from intervention in the matter of the supply of currency and if the policy of regulating that supply in order to maintain exchange stable at 1*s*. 6*d*. is not to be continued, the only alternative is for the Government to attempt to keep prices stable at or around some given Index number and to proceed to add to or deplete the currency with reference to the tendency of prices to fall or rise. This is a possible policy. But in the first place, it is entirely contrary to the unanimous recommendation of the Currency Commission, and in the second place, it involves a preliminary decision on the question whether prices are to be kept stable at or around the present Index number or whether some other figure is to be chosen; and if so, what that figure is to be. I can hardly think, for example, that the House would like the Government to aim deliberately at raising the level of prices all round yet this is what seems to be the main aim of the protagonists of 1*s*. 4*d*. This alternative in fact leaves the Government in exactly the same invidious position in which they were before exchange was temporarily stabilised at 1*s*. 6*d*. and open to violent criticism from every quarter in every conceivable contingency. It continues indefinitely the unsatisfactory position of Indian currency in the state in which it was left after the breakdown of the pre-war system in 1917 and the failure of the attempt to restore stability of exchange in 1920. Nor does it avoid controversy, for very much the same controversy would arise over the question of the Index Number of wholesale prices around which a fresh attempt should be made to maintain stability as has arisen over the question of the exact ratio of the rupee to gold and such a policy is just as likely to lead eventually to a higher ratio than 1*s*. 6*d*. as it is to lead to a lower one. If there were a real probability of a fresh period of violently fluctuating world prices, there would be much to be said for this alternative. But in the present conditions, it appears to me that it offers little or no benefit to India while it sacrifices all the real advantages of stability of exchange.

12. Let me sum up the various alternatives that I have discussed.

(*a*) The first is complete abstention by the Government from intervention to regulate exchange, leading to enormous fluctuations and probably to a money panic and, eventually if it is conceivably possible at all, to a 2*s*. rupee.

(*b*) An attempt to stabilise prices round the existing level of wholesale prices, say an Index Number of about 150, or round some different level of prices, leading to a long period of uncertainty, absence of stability of exchange and undiminished controversy.

(*c*) Stabilisation at 1*s*. 4*d*. as advocated by a vocal party in the country leading to immense immediate losses, social and labour unrest, higher prices all round in terms of rupees and increased cost of living all

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deficits in the budget of every Government in India involving increased taxation and, when final equilibrium has been restored, no permanent benefit to anybody.

(*d*) Stabilisation at 1*s*. 6*d*. as proposed in the measure now before us.

13. So many arguments have been advanced by the advocates of 1*s*. 4*d*., that there is danger that the case for 1*s*. 6*d*. may be insufficiently stated and understood. The controversy that has been going on for the last 6 months and longer has tended to take the form of the setting up of one argument after another by the opponents of 1*s*. 6*d*. and the demolition of these arguments one after another by the advocates of 1*s*. 6*d*., in such a manner that the case for 1*s*. 6*d*. has tended to be forgotten. If my analysis of the position as given above is at all correct, the reason for this tendency is clear. The *de facto* ratio holds the field, has held the field for nearly two years, is working reasonably well, has brought about stability and increased confidence all round, has helped enormously to restore balance and stability to budgets and in a special degree to secure for the agriculturist a fair price for his produce. And the onus of proof that some other ratio ought to be substituted for it rests with the advocates of that other ratio. There is no real onus on the supporters of the *de facto* ratio to prove the case for maintaining it. It is for its opponents to show cause for upsetting it.

14. I think it will be useful, if I proceed to state the case for 1*s*. 6*d*. In a speech which I made in Calcutta December last before the Indian Chamber of Commerce, I summed the case for 1*s*. 6*d*. up in eleven points. None of these have since been seriously challenged. I repeat them here and challenge any economist in the House to find any flaw in them. They are as follows:—

(1) The silver rupee has no natural value other than the value of the silver bullion which it contains. Any other value than this for the silver rupee must be artificial.

(2) No one ratio for the rupee can possibly be permanently more advantageous for India than another. The question is not and never can be whether one particular ratio, say, 1*s*. 6*d*., is permanently more advantageous for India than some other ratio, say, 1*s*. 4*d*. or 2*s*.

(3) All arguments based on the belief that the fixation of one particular ratio is definitely and permanently advantageous or disadvantageous to this or that interest are entirely irrelevant.

(4) A rising rate of exchange tends temporarily to assist imports and discourage exports, but this tendency is often counteracted, in whole or in part, by movements in world prices as happened in the case of India from 1922 to 1925.

(5) A falling rate of exchange has the opposite tendency. But this again is often counteracted by external causes affecting the level of prices.

(6) A fluctuating rate of exchange restricts the volume of trade and commerce and subjects both the producer and the consumer

to losses without necessarily profiting the middleman who is often unwillingly made a speculator when he would prefer to do safe business.

(7) A stable exchange is what everybody wants and is to everybody's interests.

(8) In considering the fixing of the ratio at the present time, the first question must be " Is the time ripe for fixing the ratio "? The Currency Commission are unanimous in saying that it is.

(9) The only other relevant question is: " At what ratio can stability of exchange be most easily and quickly secured "? The Commission are unanimous on this point also.

(10) The Commission are unanimous in saying that if prices have adjusted themselves in a preponderant degree to the ratio of 1*s*. 6*d*., it is in the interests of India that the ratio should be fixed at 1*s*. 6*d*.

(11) If it is accepted that the time is ripe for stabilising the rupee, the only point open to argument is whether prices have adjusted themselves in a preponderant degree to the 1*s*. 6*d*. ratio. This is a question of fact to be examined as such.

15. Let me expand some of these points a little. There has been a great deal of loose talk about this, that or the other ratio being natural or artificial. The only possible natural ratio for the silver rupee is its value as silver. Until 1893, this was its only value. But it was found that a silver standard led to such enormous and continuous fluctuations in the exchange value of the rupee in relation to the currencies of Gold Standard countries that the old mono-metallic standard was deliberately discarded and India started forth on the long and painful journey towards a Gold Standard, the last stages of which we are now engaged in trying to complete. The ratio of 1*s*. 4*d*. sterling was established as a result of the Fowler Committee's Report in 1899. It is an interesting commentary on the present day controversy that the supporters of 1*s*. 4*d*. to-day as against 1*s*. 6*d*. are continually harping on the recommendations of the Fowler Committee. That report is one of their greatest favourites. But the curious thing is that their arguments are, to a very large extent, simply a re-echoing of the Minority Report of the Fowler Committee. And the Minority wanted a ratio of 1*s*. 3*d*. instead of 1*s*. 4*d*. for very much the same reason as the opponents of 1*s*. 6*d*. now clamour for 1*s*. 4*d*. In view of the popularity of Minority Reports and Minutes of Dissent, I find it difficult to understand why 1*s*. 4*d*. and not 1*s*. 3*d*. should be the alternative to 1*s*. 6*d*., which finds favour to-day. In 1899, the *de facto* ratio was 1*s*. 4*d*., though it was not by any means so firmly or so long established as 1*s*. 6*d*. is to-day. And the main reason for choosing 1*s*. 4*d*. in 1899, was that it was the *de facto* ratio. And that is the main reason for choosing 1*s*. 6*d*. to-day.

16. The ratio of 1*s*. 4*d*. was maintained by careful regulation of the currency, or what is called ' manipulation ', from 1899 to 1916. It suited India well enough because it became firmly established. But it was an artificial and not a natural ratio, a fact which was clearly demonstrated—hence our troubles to-day—when in 1917 the value of the silver in the silver rupee increased beyond the value of the silver rupee as a coin. Inconvertibility was then held to be impracticable and the only course open was to allow the standard once again to become for a time a mono-metallic silver one and to allow the exchange value of the silver rupee to soar to

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unprecedented heights. The ratio has not been 1*s*. 4*d*. sterling or 1*s*. 4*d*. gold for more than a few months together at any time since 1917. Clearly 1*s*. 4*d*. is in no sense a natural ratio, nor is it the established or *de facto* ratio to-day.

17. Points (2) and (3) are as follows:—

(2) No one ratio for the rupee can possibly be permanently more advantageous for India than another. The question is not and never can be whether one particular ratio, say 1*s*. 6*d*., is permanently more advantageous for India than some other ratio, say, 1*s*. 4*d*. or 2*s*.

(3) All arguments based on the belief that the fixation of one particular ratio is definitely and permanently advantageous or disadvantageous to this or that interest are entirely irrelevant.

There is, I think, a good deal of misapprehension on these points. No argument is more often repeated by the exponents of 1*s*. 4*d*. school than that the agriculturist whose produce is sold for export loses 12½ per cent. on all he sells. The favourite form of the argument often used by Mr. Jamnadas Mehta is the charge that India is being made to lose 40 or more crores a year by the 1*s*. 6*d*. exchange. I would ask Mr. Jamnadas Mehta to compare that argument with Sir Victor Sassoon's argument a day or two ago that it makes no difference with the ratio at 1*s*. 4*d*.: 55½ crores of rupees more are required to pay the sterling debt. If the two can square those arguments, they can perform the feat of squaring the circle. Let us examine this charge. My first answer is that if you can produce a gain of 40 crores or more for India by arbitrarily reducing exchange from 1*s*. 6*d*. to 1*s*. 4*d*., why not double or treble or quadruple the gain by going down to 1*s*. 2*d*. or 1*s*. or 10*d*.? This *reductio ad absurdum* should at least warn those who make this charge that there is some flaw in their argument. And the flaw is this. Nothing is gained by the Indian exporter or any one else if he receives in payment for what he sells a larger number of rupees of less value instead of a smaller number of rupees of greater value if the gold or commodity value of what he receives remains unaltered. This is exactly what happens, as the following analysis will show:—

A sells produce with a world market or destined for export for 1,333 rupees with exchange at 1*s*. 6*d*. for which, if exchange were at 1*s*. 4*d*., he would get Rs. 1,500. The contention is that he loses 167 rupees owing to exchange being at 1*s*. 6*d*.

But it is agreed by all that under a gold standard the only thing that matters is the gold value of the money which a man gets for what he sells and pays out for what he buys. It is important to remember that though for convenience we talk of stabilising at 1*s*. 6*d* what we really mean to do is to fix the gold value of the rupee at 8·4751 grains per rupee. The habit of talking of the rupee in relation to its sterling value is responsible for more than one fallacy in the Currency League's propaganda. The theory of a gold standard is that all money transactions take place either in gold or in legal tender notes or coins with a fixed gold value, and all prices are gold prices. Now, with the rupee at 1*s* 6*d*, the rupee has a value equal to 8½ grains of gold. With the rupee at 1*s*. 4*d*, the rupee has a value

of $7\frac{1}{2}$ grains of gold. I ignore the decimal points for convenience. Now our friend *A* at present with the rupee at 1*s*. 6*d*. receives 1,33[illegible] rupees, each worth $8\frac{1}{2}$ grains of gold. With the rupee at 1*s*. 4*d*., he receives 1,500 rupees each worth $7\frac{1}{2}$ grains of gold. A simple sum in multiplication will show that in each case he receives rupees worth exactly the same amount in gold, *viz*., approximately 11,300 grains of gold. If *A* desires to spend the whole of his rupees in buying gold, he gets exactly the same amount of gold whatever the exchange rate, and since all values under a gold standard are gold values, determined, that is, by the value of gold, the rupees he receives in either case give him exactly the same power of purchasing commodities whatever the commodity he desires to purchase. (*An Honourable Member*: " Question.") It is easy enough to question arguments but it is difficult to question facts. It is clear that once prices are stabilised at the gold value determined by the ratio between the rupee and gold, there is and can be neither loss nor gain to the producer or the exporter or anyone else. All that can possibly happen as the result of lowering the ratio is that during the period of instability, while prices and taxes are being readjusted to the new ratio, there will be some people who will temporarily make extra profits and some who will correspondingly make losses and experience shows that it is nearly always the agriculturist on whom the biggest losses fall.

18. Points (4), (5) and (6) about a falling, a rising and a fluctuating rate of exchange are self-explanatory. So is point (7). A stable exchange is what India wants and what everybody wants. I need not comment on these points. They lead directly and inevitably to the unanimous conclusions of the Commission which were summed up in points (8) and (9). In considering the fixing of the ratio at the present time the first question must be, " Is the time ripe for fixing the ratio?" The Commission say that it is. And the only other relevant question is, " At what ratio can stability of exchange be most easily and quickly secured?".

19. We now come to Point (10).

Point (10).—The Commission are unanimous in saying that if prices have adjusted themselves in a preponderant degree to the ratio of 1*s*. 6*d*. it is in the interest of India that the ratio should be fixed at 1*s*. 6*d*.

Let me quote the Commission's exact words on this point. (Paragraph 177 of the Report). "We wish to make it clear at the outset that the central and, as it seems to us, the decisive factor is the extent to which the prevailing rate of exchange is reflected in internal prices. We are unanimous in holding the view—and indeed it is a proposition which it would be difficult to controvert—that if it can be shown that prices have, to a preponderant degree adjusted themselves to the *de facto* rate then that rate must be adhered to."

It will be seen that the Commission are unanimous and they go so far as unanimously to describe this proposition as one which is not far short of incontrovertible. Sir Purshotamdas Thakurdas has, I believe, since the date of the Report, described this proposition as a mere theoretical platitude. If so, it is one of those flat-footed platitudinous truths which sometimes flatten out the whole elaborate case of anyone who tries to build up an argument which ignores them.

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20. I come now to Point (11).

Point (11).—If it is accepted that the time is ripe for stabilising the rupee, the only point open to argument is whether prices have adjusted themselves in a preponderant degree to the 1*s*. 6*d*. ratio. This is a question of fact to be examined as such.

A great part of the Minute of Dissent from the Currency Commission's Report is devoted to trying to produce evidence to show that prices have not adjusted themselves in a preponderant degree to 1*s*. 6*d*. or at least that they had not adjusted themselves at the time when the Minute was written in May or June, 1926. I examined some of the arguments in the Minute in a speech I made in Delhi, in November, 1926, and showed that if some necessary corrections were made in the arithmetic and if the figures were brought up to a more recent date, the conclusion which emerged directly from Sir Purshotamdas's own arguments would be that even when the Minute was written, prices had already adjusted themselves in a preponderant degree to 1*s*. 6*d*. and that this adjustment, in so far as it was incomplete at that date, had been in a process of rapid completion since.

21. Here, I should like to remind the House of the events of August last when the previous Bill was brought before the Assembly. I pointed out to the House that the main case for 1*s*. 4*d*. was founded, in the Minute of Dissent, on the argument that adjustment to 1*s*. 6*d*. was incomplete and that it was not too late for 1*s*. 4*d*. to be chosen instead. I pointed out that the postponement of the Bill inevitably meant that such case as might be advanced for questioning 1*s*. 6*d*. would be completely destroyed by postponement. Nevertheless the House pressed for postponement and the Government yielded. I do not know whether it is going to be seriously argued to-day that prices have not adjusted themselves to the 1*s*. 6*d*. ratio in a preponderant degree. I hope I may still rely on Sir Purshotamdas not to throw over his Minute of Dissent. But among the supporters of 1*s*. 4*d*. I have observed recently a strong tendency to shift the ground entirely. A book has recently been published with a special eye to these discussions by Mr. C. N. Vakil and Mr. Muranjan entitled "Currency and prices in India" in which the 1*s*. 4*d*. ratio is strongly supported, so that, I suppose, the views of the authors will find favour with the Currency League. The authors of that book entirely repudiate the argument in the Minute of Dissent as regards non-adjustment of prices. They dismiss the whole argument cursorily with the remark that " the question raised by the Commission in paragraph 177 of their Report whether prices have to a preponderant degree adjusted themselves to the existing *de facto* ratio need not be raised. This is a truism known to every businessman ". They go on to say that " the question is of an essentially different kind. The whole process has been reversed and therefore attention is directed to a wrong point of view which reduces itself to a truism as shown above. Instead of prices determining exchange exchange has been made to determine prices through conscious control; and when the inevitable result of such a policy, namely the harmony of internal prices with world prices is in sight, we are told once again to change our angle and say that because adjustment has taken place, we should fix the *de facto* ratio by law". Note that the authors expressly admit the success of the Government's policy of securing the harmony of internal prices with world prices, which is the whole meaning and purpose of stability of exchange at whatever figure it may be sought

to fix it, whether 1*s*. 6*d*. or 1*s*. 4*d*. The authors proceed however to argue that India should revert to 1*s*. 4*d*. because it is the pre-war ratio while admitting that the restoration of the 1*s*. 4*d*. ratio "would now certainly mean some trouble and sacrifice though not of our own making". I fail to see what consolation it will be to India generally and to the individual sufferers to know that the trouble is "not of our own making", especially as the trouble will have been deliberately brought upon them and upon India by the action of the Legislature if it rejects the Government's recommendation in this Bill, and all the trouble and sacrifice can be avoided by the acceptance of the Government's recommendation. Why should we deliberately destroy that harmony of world prices with internal prices which is the end and object of stability of exchange just as we have successfully achieved it, simply in order to achieve it once again at a different level at the cost of needless suffering and tribulations, for which there is no compensation of any kind?

22. What then is the position we have reached? Some of the strongest advocates of the 1*s*. 4*d*. rate admit that it is hopeless to try and argue that prices have not adjusted themselves in a preponderant degree to 1*s*. 6*d*. They recognise that prices have adjusted themselves and that every businessman knows it. They have, therefore, shifted their ground entirely and now rely on an argument which seems to me quite unconvincing and unduly emotional. I shall be interested to hear what Sir Purshotamdas Thakurdas has to say on this. But I should like to make an appeal to him. He has put up a great fight which we all admire. But the facts are against him. The unanimous verdict of the Currency Commission in which he concurred is against him. His own Minute of Dissent is against him. Does he still adhere to the unanimous view of the Commission, which is so difficult to controvert, that if prices have adjusted themselves in a preponderant degree to 1*s*. 6*d*., then 1*s*. 6*d*. should be adopted? If he does so. I may yet perhaps find him voting in the same lobby with me.

Sir Purshotamdas Thakurdas: Or you in the same lobby with me.

The Honourable Sir Basil Blackett: If prices have not adjusted themselves to 1*s*. 6*d*. I will join him in the other lobby. If he and his supporters do not adhere to the Minute of Dissent, is it not rather hard on the Government that after the whole elaborate case has been stated for the world to read in a Minute of Dissent appended to the Report of a Royal Commission, that all the Government gain by destroying that argument is that they should have to start again destroying a new set of equally fallacious arguments?

23. And what does the admission, that prices have adjusted themselves in a preponderant degree, mean? It means that there is no more reason to-day for disturbing the 1*s*. 6*d*. ratio than there was for disturbing the 1*s*. 4*d*. ratio in, say, 1907. It means that we have come to the end of a long struggle to restore equilibrium to currency and exchange and prices after the war upheaval. It means that the supply of currency has been brought into harmony with the demand at the existing level of prices and internal prices into harmony with each other and with world prices. It means that businessmen and traders of all kinds can go ahead, once the last remains of uncertainty are removed by placing 1*s*. 6*d*. on the Statute Book, with confidence and hope to expand their activities to launch out into new and promising ventures, without any fear of seeing all their bright hopes upset by the vagaries of exchange, and with a prospect of reasonably stable prices also, knowing as they do that strong

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influences are at work to keep world prices steady at about the present level, they can look forward to normal conditions generally and expanding opportunities in every direction.

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24. Stability of exchange and prices means more perhaps to the agricultural community than anything else in India. Look what the comparative stability of the last two years has already done. It has removed fears of increases in existing taxation, actually lightened burdens in some cases, for example, cotton excise duty and water-rates in the Punjab; it has begun to reduce Railway fares and freights; it has reduced provincial contributions. Still more, it has enabled the agriculturist to get a fair price for his produce. What is the lesson of the following figures?

In December 1923, exchange stood at 1*s*. 3*d*. gold. The Index No. of prices for cereals was 105 and for pulses 109. These two heads cover more than 50 per cent. of the total agricultural production of India. In December 1926 exchange stood at 1*s*. 6*d*. gold and the Index No. of prices for cereals was 133 and for pulses 159. Why has the value of food grains gone up in spite of the rise in exchange? The answer is, mainly, that in times of fluctuations of exchange and general instability of prices, the agriculturist all too frequently finds that while the prices of the things he buys go up against him, the prices of what he has to sell do not rise in anything like the same proportion. Stability has restored the equilibrium and has brought the agriculturist into his own again. Even in the case of cotton which for a long time stood at a very high level as compared with other commodities and the Index No. for which has recently come more into equilibrium with other commodities, the following figures supplied to me by a firm in Bombay will show how unimportant exchange has been as a factor in prices as compared with other factors.

Date.	Liverpool Futures March delivery.	Fully good Bengal.	Exchange.
			s. *d*
21st December, 1920 . .	10·57*d*.	Rs. 215 per candy of 784 lbs.	1/0$\frac{11}{32}$ gold.
28th February, 1921 . .	6·80*d*.	Rs. 185 „ „	1/0$\frac{9}{32}$ „
25th January, 1927 . .	7·18*d*.	Rs. 230 „ „	1/6 „

It will be seen that in spite of a rise of nearly 50 per cent. in the gold value of the rupee, the rupee price of cotton so far from falling has risen appreciably.

25. I wonder whether it is really necessary for me to spend time and labour on meeting the argument about the sanctity of the pre-war ratio. Most of the arguments of the Currency League are based on an entirely incorrect assumption that the Government have suddenly and violently raised exchange from 1*s*. 4*d*. to 1*s*. 6*d*. in a month or two. It was not the Government's action but the effect of the War which upset every currency system in the world and India's among them, and disturbed the 1*s*. 4*d*. ratio. For 10 years the rupee has had no fixed ratio to either gold or sterling, and, as a matter of fact, the ratio which it is proposed to alter in this Bill is not

the ratio of 1*s*. 4*d*. but the ratio of 2*s*. gold. It is not proposed now suddenly to raise the ratio; but on the contrary it is the opponents of 1*s*. 6*d*. who want now suddenly and violently to lower the value of the rupee. And the argument with which I am now dealing is that because 1*s*. 4*d*. was the pre-war ratio for a period of less than 20 years, it ought now to be regarded as sacrosanct and immutable in spite of the experience of the last 10 years. And what does India stand to gain by this reversion to the pre-war ratio? Nothing except the sentimental satisfaction of restoring 1*s*. 4*d*. And at what cost? At the cost of much sacrifice and suffering, as is admitted even by some of the foremost protagonists of the 1*s*. 4*d*. ratio. It is admitted that there can be no permanent gain to anyone from a reversion to 1*s*. 4*d*. I put it to the House that there is no more reason for suddenly changing over from 1*s*. 6*d*. to 1*s*. 4*d*. now than there would have been in 1907 for changing from 1*s*. 4*d*. to some other ratio.

26. It may be true that certain interests in India will gain temporarily at the expense of certain other interests. Some employers may gain temporarily at the expense of their workmen. A certain number of speculators may make handsome profits. The higher level of taxation that will be necessary may fall more heavily on some classes than on others. But for India, as a whole, there is and can be no permanent gain and there must and will be certain and serious losses. Does the House want to reduce by 11 per cent. the value of every rupee and every currency note now in circulation? That is what the demand for 1*s*. 4*d*. means for the permanent benefit of nobody. Does the House want to start a new era of fluctuating exchange, of rising prices, of social and industrial unrest, with an increase in the cost of living all round? That is what the demand for 1*s*. 4*d*. means for the permanent benefit of nobody.

Does the House want to reduce by 11 per cent. the real wages of all wage-earners, agricultural and industrial, of all clerks and shophands in private employ, of postal employees, railway employees, to reduce the value of every fixed income by 11 per cent? That is what the demand for 1*s*. 4*d*. means for the permanent benefit of nobody.

Does the House want to upset the equilibrium of every budget in India, Central and provincial, and to face the task of imposing additional taxation all round? That is what the demand for 1*s*. 4*d*. means for the permanent benefit of nobody.

Does the House want railway rates and fares to be raised all round at a moment when the railways have launched on a policy of reduction? That is what the demand for 1*s*. 4*d*. means for the permanent benefit of nobody.

Does the House want the complete remission of the provincial contributions to be postponed indefinitely? That is what the demand for 1*s*. 4*d*. means for the permanent benefit of nobody.

Does the House want to postpone indefinitely the reform of the Indian currency system? That is what the demand for 1*s*. 4*d*. means for the permanent benefit of nobody.

27. All these unpleasant consequences can be avoided by the simple process of maintaining, as we propose, the *de facto* ratio. What possible reason is there why the whole equilibrium which we have now reached after painful years of struggle should be upset simply in order that after several years more of suffering and needless losses we may gradually

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restore a new equilibrium with exchange at 1*s*. 4*d*. instead of 1*s*. 6*d*. for the permanent benefit of nobody?

Sir, I move. (Loud Applause.)

Pandit Madan Mohan Malaviya (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, it is after a very long time that a question of the great importance of currency reform has been laid before the Government of this country (*Voices*: "Louder, please"), modified as it is by the presence of a number of elected representatives of the people in this Assembly; and I cannot conceive of any question of greater importance to the country, to the welfare of the people, than the one which is now before us. The Honourable the Finance Member has in his very eloquent speech said all that he had to say in favour of maintaining the ratio of 1*s*. 6*d*. Of course he has described that issue as the only issue according to his judgment which the Assembly has to deal with. But I wish, Sir, to draw the attention of the Assembly to the fact that the question before the House is not merely one of fixing the ratio of the rupee to the sovereign at 1*s*. 4*d*. or 1*s*. 6*d*. This question is undoubtedly of importance, of greater importance, because of the special circumstances in which it has been brought before the House, than it would be by itself. But the great question before the House is, what is the right measure, correct measure, of currency reform which the country wants to work up to? In that view, I submit, Sir, the question of the ratio becomes one of secondary importance. The important question before the Assembly is, what is the reform of the currency which the House is going to adopt now? Now, Sir, in that view it is important to review the history of the currency in this country for some time past. A gold mohur or fifteen rupee piece was introduced by the Company some time in the thirties but except for a short period, under the decision arrived at by it in 1806, silver used to be the basis of the coinage of the country up to 1893. In that year the Government decided artificially to raise the value of the rupee, which stood at that time at about 11*d*. But prior to that, in 1876 a proposal to raise the value of the rupee had been mooted by the Government of India. It was communicated to the Secretary of State, and he referred it to the Lords of the Treasury. They discussed the proposal at great length; and in order that the House should fully understand the bearing of their opinion upon the question before us, I would beg leave to quote it at length here. In his statement before the Fowler Committee, Mr Dadabhai Naoroji quoted from the Treasury Letter of 24th November 1879 to the India Office as follows:

"1. The proposal appears to be open to those objections to a token currency which have long been recognised by all civilised nations, namely, that instead of being automatic it must be managed by the Government, and that any such management exposes the Government which undertakes it to very serious difficulties and temptations

2. It appears to my Lords that the Government of India in making the present proposal lay themselves open to the same criticisms as have been made on Governments which have depreciated their currencies In general the object of such Governments has been to diminish the amount they have to pay to their creditors In the present case the object of the Indian Government appears to be to increase the amount they have to receive from their tax-payers My Lords fail to see any real difference in the character of the two transactions." . . "If on the other hand it is the case that the value of the rupee has fallen in India and that it will be raised in India by the operation of the proposed plan, that plan is open to the objection that it alters every contract and every fixed payment in India.

This proposal is in fact contrary to the essential and well-established principle of the currency law of this country which regards the current standard coin as a piece of given metal of a certain weight and fineness and which condemns as futile and mischievous every attempt to go behind this simple definition. It is perfectly true as stated in the despatch that the very essence of all laws relating to the currency has been to give fixity to the standard of value as far as it is possible, but it is no less true that according to the principles which govern our currency system the best and surest way and indeed the only tried and known way of giving this fixity is to adhere to the above definition of current standard coin. A pound is a given quantity of gold, a rupee is a given quantity of silver and any attempt to give those terms a different meaning is condemned by experience and authority.

3. If the present state of exchange be due to the depreciation of silver the Government scheme, if it succeeds, may relieve:

(1) the Indian Government from the inconvenience of a nominal readjustment of taxation in order to meet the loss by exchange in the home remittances;

(2) civil servants and other Englishmen who are serving or working in India and who desire to remit money to England;

(3) Englishmen who have money placed or invested in India which they wish to remit to England. But this relief will be given at the expense of the Indian tax-payer and with the effect of increasing every debt or fixed payment in India, including debts due by ryots to money-lenders, while its effect will be materially qualified so far as the Government are concerned by the *enhancement of the public obligations in India which have been contracted on a silver basis*. . . .

"If then a case has been made out, which my Lords do not admit for an alteration of the currency law of India, the particular alteration which the Government of India propose could not, in the opinion of the Treasury, be entertained until the doubts and objections which have suggested themselves to my Lords are answered and removed. These objections are founded on principles which have been long and ably discussed and which are now equally admitted by statesmen and by writers of accepted authority to be at the root of the currency system. It is no light matter to accept innovations which must sap and undermine that system, and my Lords have therefore felt it their duty plainly, though they hope not inconsistently, with the respect due to the Government of India, to express their conviction that the plan which had been referred to them for their observations is one which ought not to be sanctioned by His Majesty's Government or by the Secretary of State. *Well did Mr. Dadabhai Naoroji remark*: "Can condemnation be more complete and convincing?"

Now, Sir, that was in 1879. When the proposal to raise the value of the rupee was again taken up in 1893, it was equally strongly condemned. I referred the other day to an article in the *Statist*, of 5th November 1892, which Mr. (now Sir) Dinshaw Wacha quoted at the Allahabad Congress in 1892 as follows:

"Assuming that a gold standard were adopted, the rupee would be degraded in India to the position of the shilling in England, that is to say, the value of the rupee would not be fixed by the value of the silver in it as at present, but by the manipulation of the Government. Now it is contrary to all the traditions and all the principles of the British Government to give any official, no matter who he may be, powers so enormous as would be necessary to manipulate the currency of a vast Empire with a view to giving it a fictitious value. If the Prime Minister were corrupt he would be able to enrich himself by disturbing the money market. If he were unwise, he would throw all trade into confusion by his folly or his unskilfulness. That appears to us an unanswerable objection to all proposals for artificially maintaining the value of the rupee. If the purchasing power of the rupee were raised 20 per cent. or anything like so much, the land tax would be raised in exactly the same proportion, for every rupee would then represent 20 per cent. more of the produce of the ryots land. Similarly the rent of houses and lands all over India would be raised to the same extent. All the other taxes payable to the Government would likewise be raised. So would all debts due at the time the change was made. In other words, every banker, capitalist as well as every usurer would find his property so far as it had been lent out to others increased of 20 per cent., while every debtor throughout the length and breadth of India would find his debts augmented in the same way.

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The result therefore would be that the Government official classes, bankers, landlords and usurers would all receive 20 per cent. more of the property of the vast population of India. There would be a sweeping transfer of property from the producing working millions who create the wealth and make the prosperity of the Empire to the servants of those millions and to the parasites who prey upon it. We would ask any sane man whose brain has not been muddled by currency disquisitions beyond his capacity . . . "

(Laughter from Swarajist Benches.)

—Leave it all to the Honourable the Finance Member to laugh. I beg my friends to listen quietly. He laughs best who laughs last—

"ask any sane man" the *Statist* went on to say, "whose brain has not been muddled by currency disquisitions beyond his capacity whether this is a project that ought to be listened to for a single moment, whether it is to be thought of that the whole strength of the British Empire should be used to impoverish the hard-working millions and to enrich usurers and Government officials, and if it is not we would urge upon public opinion to reject so monstrous a proposal with contumely."

Sir, the Government decided to close the mints to the free coinage of silver and to raise the value of the rupee in spite of such strong condemnation of their proposal. Some years later, that is to say, in 1898, the Fowler Committee was appointed to consider what should be done to make the policy adopted in 1893 effective. The proposal was that the rupee which stood at 13*d.*—it has reached that level in 1894-95—should be raised to 16*d.* And I wish to quote here some of the opinions which were expressed regarding it at the time. Writing to the *Times* of London of June 3, 1898, Mr. Dadabhai strongly condemned the action of the Government in forcing up the value of rupee to 16*d.* of gold, while the true rupee in its relation to gold at the then market value of silver was worth about 11*d.* of gold, which compelled the tax-payer, by what Mr. Gladstone called 'the argument and law of force,' to pay his tax in this false rupee, under the false pretence of using the word 'rupee', when this 'rupee' was not one rupee but nearly one and a half rupee. It meant a covert exaction of 45 per cent. more taxation from the Indian tax-payer. "The reason is simple," said Dadabhai.

"Suppose a ryot has to pay Rs. 10 for land tax. This rupee means a fixed quantity of silver stamped with the mint stamp and is truly worth at present only 11*d.* of gold. By closing the mints this rupee is forced to the worth of 16*d.* of gold, or in other words, the ryot is compelled to sell 45 per cent. more of his produce to get this false rupee,—the Government thus getting 45 per cent. more taxation than it is entitled to even according to its own 'despotic' legislation."

"At the same time" *he said*, "such action would increase the salaries of officials and other payments in India by Government to the same extent and give generally the advantage to creditors over debtors, the former being generally well-to-do and the latter the poorer classes, especially in the case of the money-lenders and the ryots" . . .

Dadabhai concluded by saying:

"the closing of the mints was illegal, dishonourable and a despotic act. It is a violation of all Taxation Acts by which there was always a distinct contract between the Government and the tax-payers based upon the fundamental principle of sound currency,—*i.e.*, of a certain definite rupee."

Now, Sir, there were others who expressed the same opinion. Mr. Leonard H. Courtney, giving evidence before the Fowler Committee, said:

"You would not be justified in trying, by reducing the quantity of rupees and giving an artificial value to the rupee to screw it up to 1*s.* 8*d.* or 2*s.* The raising of the rupee above its intrinsic value is a tax not merely upon production; it is an additional tax on the agriculturists and the rent payers."

Messrs. Campbell and Muir, who were members of the Fowler Committee, in their dissenting note said:

"To deny that *arbitrary enhancement of the currency is a tax*, and to argue that the producer is no worse in the long run, that wages and other charges adjust to its altered value themselves"

as the Honourable the Finance Member has been endeavouring to persuade the House,

"is to maintain the dangerous principle that Government might lighten its liabilities without injury to anybody by a step of this kind" . . .

The Honourable Sir Basil Blackett (Finance Member): Minority Report.

Pandit Madan Mohan Malaviya: Please wait until I have finished. I quite understand that you fully realise the force of what I am urging. As the Royal Commission on Currency in England pointed out, a manipulation of exchange:

"would not meet the real difficulty of the present situation in India, which is that owing to the fall in all gold prices, a large amount of produce has to be exported in payment of gold debts and that consequently any apparent gain to the Government of India",

which is the most important concern of the Honourable the Finance Member at this moment judging from his speech of the other day,—that:

"any apparent gain to the Government of India would be balanced by a corresponding loss to the people of that country."

Sir, let me quote one or two more opinions. My Honourable friend Sir Purshotamdas Thakurdas in his very able speech, a speech which showed the fervour of his feeling on this question, a speech which showed that he spoke with a clear conviction and that he was not playing to the gallery, and most certainly not flattering the Government,—quoted some of these opinions, but I yet wish to refer to one of these, namely, to the opinion of Mr. (afterwards Sir) David Barbour, because he was Secretary to the Government of India in the Department of Finance and Commerce, and later on Finance Member to the Government of India. He said:

"The loss or gain, therefore, to India as distinguished from the Government of India in respect of her permanent gold obligations depends entirely on the gold prices which she can obtain for her exports. No manipulation of the Indian currency can possibly affect the gold prices of Indian exports and therefore General Strachey's proposal (gold standard without a gold currency) could in no case give any relief to India as a country, whatever effect it might have on the financial position of the Government. *Just as much as Government gained, just so much the Indian people lose.*"

Now, Sir, these are some of the opinions which were expressed when the rupee was to be raised from 13*d*. to 16*d*., but it was done. And what was condemned as a monstrous piece of injustice at the time is now taken to-day as a precedent for inflicting another and a greater injustice upon the people of India. When did the people of India accept the arrangement which was brought about in 1893? We protested against it; we pointed out that it was wrong. But our protests were disregarded. However, from that time onwards for twenty years, practically up to this time, with the exception of a short period, the 1*s*. 4*d*. rate prevailed. Though it was forced upon the people of this country at the sacrifice of the enormous interests of those to whom I have referred, it had been steadily maintained. Up to 1917, the rupee stood at 1*s*. 4*d*. About the middle of that year, it began to rise. And then how was it raised from time to time? I ask, Sir, Members of this House to note the history of this part

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of the administration with a little care. The Babington Smith Committee pointed out that the rupee stood at 1*s*. 4*d*. in the beginning of 1917. The first of these changes which raised the sterling rate of exchange from 1*s*. 4*d*. to 1*s*. 5*d*. took place on the 28th August 1917. On the 12th April 1918, it was raised to 1*s*. 6*d*. On the 13th May 1919, it was raised to 1*s*. 8*d*. On the 12th August 1919, it was raised to 1*s*. 10*d*. On the 15th September 1919 it was raised to 2*s*. On the 22nd November 1919, it was raised to 2*s*. 2*d*., and on the 12th December 1919, to 2*s*. 4*d*. All these changes were brought about by executive action. Now, Sir, I ask the House to consider—I am not a student of economics in the sense that I took no degree in that subject.—but I ask my friends who are students of history and economics all over the world, to tell me of one instance where under any civilized Government such extensive powers to appreciate the currency have been exercised,—I am not speaking of Governments which are in a transitional stage or in a disastrous difficulty,—where the Executive Government has been allowed to raise the rate of exchange in the manner the Government of India raised it. Now let us see what was done afterwards? About the middle of 1919 the Government appointed what is known as the Babington Smith Committee. That Committee reported towards the end of 1919. On that Committee fortunately there was one Indian who had the wisdom to foresee, as I am glad to say my Honourable friend Sir Purshotamdas Thakurdas had the wisdom to foresee,—the evil results of the proposals of the majority of the Committee. In order to understand the recommendations of that Committee, Honourable Members must first try to understand what were the underlying considerations which led them to make those recommendations. The conclusion that the majority of the Committee arrived at was that a high level of exchange was essential for the establishment of a sound monetary system in India. That was the principle on which they proceeded, a principle which we disputed. But proceeding on that principle, they made the recommendation that the rupee should be stabilised at 2*s*. Mr Dadiba Dalal in his very able minute pointed out what disastrous results would follow from the adoption of that high rate and he made other recommendations as to what should be done. He said:

> "It seems to me to be impossible to exaggerate the importance of the legal standard for money payments This standard is regarded as less open to repeal or modification than perhaps any other legislative Acts."

And it should be much less open to modification, even when a partial system of representative Government has been introduced when the House consists of a large number of official and nominated members particularly when those members can be nominated with a definite idea as to the way in which they are likely to vote . .

Mr. K. Ahmed (Rajshahi Division: Muhammadan Rural): How do you know?

Pandit Madan Mohan Malaviya: I have not come here to teach Mr. Kabeer-ud-Din Ahmed elementary things You close your eyes and ask me to make you see. I cannot do it. Mr Dalal said:

> "The legal standard should be and usually is regarded as less open to repeal or modification than perhaps any other legislative Act. It gives the people rights as to the kind of money they may demand in exchange for their labour or their goods, rights that cannot be modified without inflicting widespread misery."

Mr. Dalal pleaded that as the rate of exchange had been raised to 1*s*. 4*d*., and had been established there, it should be allowed to stand. Sufficient unto the day is the evil thereof. He recommended that "the money standard in India should remain unaltered; that is, the standard of the sovereign and gold mohurs with rupees related thereto at the ratio of 15 to 1." He made many other recommendations. One of these was that "the gold mint at Bombay should be continued and should receive gold bullion from the public to coin free of charge gold mohurs of the same exact weight and fineness as the sovereign and to hand them over to the tenders of gold bullion in less than 15 days."

I have not the time to read to the House all the recommendations of Mr. Dalal. But those were his recommendations which relate directly to the questions before us. The majority of his colleagues, in fact all the other members of the Committee except him, recommended that the rupee should be stabilised at 2*s*. They recommended that "the stable relation to be established between the rupee and gold should be at the rate of Rs. 10 to one sovereign, or, in other words, at the rate of one rupee to 11·30016 grains of the fine gold, both for foreign exchange and for internal circulation". That was the recommendation of the majority of that Committee, and the Government proceeded to act upon it. An Act was passed in 1920 which gave effect to that recommendation. The sterling rate of exchange adopted was thus two shillings to the rupee. Now, Sir, what has been the story of it since then? Have the Government been able to maintain it at two shillings? Has experience not shown that the members of the Babington Smith Committee, with the exception of Mr. Dalal, were all wrong? Has not the country had to suffer enormously for the unwisdom of their recommendation? The business world protested, Indian publicists protested against the recommendation of the Committee. But who cares for Indian public opinion under this irresponsible system of Government? In 1923 the ratio reached 1*s*. 4*d*. Things went on. In 1924, my Honourable friend, Sir Purshotamdas Thakurdas, brought in a Bill to stabilise the rupee at 1*s*. 4*d*. That was the time when it could be done and when it should have been done. He pleaded, but pleaded in vain. The Honourable the Finance Member opposed the proposal. He said that there was a proposal that a Commission should be appointed to consider this question. He was not inclined to agree even to that at that time. He said: a Commission certainly but the time for it is not yet. And there were not wanting men among us who felt and said openly that the Honourable the Finance Member wanted to wait until he should be able to maintain the 1*s* 6*d* ratio for sometime by his manipulation of the finances, as he said the other day, and that he would then appoint a Commission to ask for a verdict from it in favour of that ratio, and plead as he has been pleading with all the eloquence, all the vehemence, and fierceness which he put into his speech to-day in favour of that ratio. The Honourable the Finance Member has pleaded that the 1*s*. 6*d*. ratio has been maintained for two years. He says to us, don't touch it: don't think of raising your unsacred hands against it. He pretends to forget that we wanted him to stabilise exchange when it stood at 1*s*. 4*d*. in 1924. Now he pleads that 1*s* 6*d*. has been maintained at 1*s*. 6*d*., and that we should stabilise at that. But why did he not agree to our proposal when we urged that we should stabilise exchange at 1*s* 4*d*. and thus put an end to this manipulation of the currency by the Government and let the country have a chance of prosperity. He did not agree even to the Royal Commission

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being appointed then, and when he agreed to it later on I am sorry to say, he did not show that regard for Indian public opinion, as reflected in this Assembly and outside it which we expected him to show. When the names of the members of the Commission were announced, we felt that the dice were loaded. We felt that the Commission was so composed that a verdict in favour of 1*s*. 6*d*. was certain to come, and we pleaded with all the earnestness we could that at least one more member should be put on the Royal Commission,—we urged that three more members should be put on that Commission, but at the very least one more Indian should be appointed who would command the confidence of this Assembly. We were in hopes at one time that the Finance Member might agree to at least one more member being appointed. But he did not think it fit to accede to the popular demand even to that extent. At an earlier date, when the Industrial Commission was announced in the Imperial Legislative Council, the predecessor of this Assembly, a request was made to Lord Hardinge to add one more popular member to that Commission. His Lordship acceded to that request. The precedent was cited, but the Honourable the Finance Member did not agree to the request of the Assembly. Now, Sir, we all know how much of dissatisfaction was shown in this country with the composition of the Royal Commission. The question to be examined affects in the most vital way the interests of 320 millions of this country; a Commission is appointed to consider and report what currency would suit that people; the people's representatives called to this Assembly under a system instituted by the Government, earnesly plead that three, or at least one more member should be put on the Commission to look after the interests, to represent the views and the interests of the general mass of the population, and the Government of India turns a deaf ear to that request! Could there be anything more calculated to create a feeling of distrust? What happened? We did not expect that the Commission would give us what we wanted, fair recommendations, recommendations made with a sole eye to the benefit and the prosperity of the people of India.

Our distrust was justified when the report was published. And what was the action then taken by my Honourable friend the Finance Member? When the Assembly met in August last in Simla, a Bill was introduced to give legal effect to the recommendations of the Currency Commission. We had not the evidence taken by the Commission before us. Even the Report of the Commission had been in the hands of members only for a very very short time. Certainly the Honourable the Finance Member who has earned a reputation as a financier both by his services in England and by his services in India, certainly he knows, if others do not, that it takes time to weigh all the pros and cons which have been urged either in favour of or against proposals affecting the currency of a country. It is not enough that a man should take up such proposals, even when they have been put forward by a Royal Commission, and read them like the newspapers. The first impression he may form may be incorrect. He must wait: he must have time to see the evidence: he must have time to see what other proposals have been put either now or in the past. And so when the Bill was introduced, it was naturally urged that the consideration of it should be delayed. It was delayed. Now, when the Bill is brought before us how does it come? We wanted this consideration to come on earlier, but that request was not acceded to. It is now shoved in, Sir, on two days between days which have been fixed, immutably as it would seem for other purposes. Whether we accept the Bill, or we reject

it, we must do it within the period of 48 hours, or woe befall us. I ask, Sir, is there any country in the world where in regard to legislation of the momentous importance that is now before us, a proposal to have only two days for its discussion would not be resented by the public. Yesterday, some of my friends pressed me to try to have the discussion finished in two days; they urged that as only two days had been allotted for the Bill, not many should speak, only a few of us should briefly express our views and let the proposals go to the vote. We are driven to it. (*An Honourable Member*: "Hear, hear.") Hear, hear, of course. But what does all this mean? It means that if the minds of some of us who are sitting here are not illumined by a free and full interchange of ideas and all the important points of view are not presented to the House, which I am sure the Honourable Members who will speak will put before the House, there is a grave danger of a wrong conclusion being arrived at. My point is that the Government have not dealt by us fairly in not giving us sufficient time for the discussion of this great question. However, here we are. Let us examine the proposal that comes before us as best we can.

A Royal Commission on Currency was appointed after the repeated request of the people and after all that I have mentioned just now. The terms of reference were these:

"We have deemed it expedient that a Commission should forthwith issue to examine and report on the Indian Exchange and Currency system and practice, to consider whether any modifications are desirable in the interests of India, and to make recommendations."

Now, Sir, this opened up the whole problem of Indian Currency before the Commission. They have dealt with it. Among the problems the one of the greatest importance was not what ratio should be fixed of the rupee to the sovereign, but what was the proper system of currency to be adopted. Sir, on that question, the Government of India put forward their own proposals. The question was whether a gold standard and a gold currency should be recommended. The Government of India prepared a scheme and put it before the Commission for the introduction of a gold standard with a gold currency. That scheme was approved by the Honourable the Finance Member. He himself put it forward. In his evidence before the Commission the Honourable Sir Basil Blackett said in the clearest language that in his opinion the gold standard was the best for India. He said:

"The view I put forward was that it was necessary for India to pass through this intermediate stage of gold circulation although it is a wasteful and expensive system in order to arrive eventually at the more perfect one, and I advocated it because I believed and believe that the gold standard would inspire confidence and would provide the stimulus which is so badly needed for investment and the banking habit."

Now, Sir, that scheme was put forward by the Finance Department of the Government of India. The Finance Department of the Government of India is represented by men who have been long in the service of the Government of India, who have studied the entire financial position of the Government of India. After reviewing and examining the whole history of previous proposals in connection with this subject, and after weighing every possible consideration, they put forward their scheme for introducing a gold standard and gold currency in India. It was the result of discussions between the Honourable the Finance Member and the other high officials of the Finance Department. They had unanimously come to the conclusion that "the only way of remedying all the defects in the system (of our currency) within a reasonable period is by establishing a gold standard with a gold currency in circulation." Now, Sir, that

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scheme was rejected by the Commission. As against the members of the Commission we had the Finance Department of the Government of India . . . . . .

The Honourable Sir Basil Blackett: On a point of order, Sir. May I ask whether this is not out of order in that it is an anticipation of the debate on the Gold Standard and Reserve Bank Bill which is coming, and if it is in order, may I appeal to the Honourable Member to limit the discussion to-day to the question that is really before the House?

Pandit Madan Mohan Malaviya: Sir, I am extremely sorry I cannot oblige my friend. The matter is of vital importance to my country and to the Government. I must, therefore, put every possible idea which occurs to me to support the contention that the ratio proposed by the Honourable the Finance Member ought to be rejected. I must also place before this House the larger question of the necessity of adopting a gold standard and a gold currency as the only sound remedy for the evils of currency from which India has suffered so long and so enormously.

Mr. K. Ahmed: May I ask, whether there is any time-limit, because there are so many Members wishing to speak.

Mr. President: There is no time-limit to the speeches.

Pandit Madan Mohan Malaviya: Now, Sir, this scheme was rejected by the Commission. I submit, Sir, it was very unfortunate that it was. The Commission was composed of a few Members, and among them every one was not familiar with the working of the financial system in the Government of India. They therefore rejected the scheme without putting forward sufficient reasons to inspire confidence in their judgment. They overlooked, Sir, the earlier history which bore upon the subject. Now, that earlier history is of great importance at this juncture. When the Mints were closed to the coinage of silver, the Government began to take six annas out of every rupee that was coined. Six annas out of every rupee that was coined began to be taken by the Government and put aside to constitute a gold reserve. Why was that done, Sir? That was done in order to introduce a gold currency in India. There was no justification, there could be no justification, for taking away from the people six annas out of every rupee coined if it were not coupled with a declaration that it was to benefit them later on by means of this money. It was money taken from them and kept in trust for them. When the Fowler Committee was appointed in 1898 they were asked to consider and report on "the proposals of the Government of India for making effective the policy adopted by Her Majesty's Government in 1893 and initiated in June of that year by the closing of the Indian Mints to what is known as the free coinage of silver That policy had for its declared object the establishment of a gold standard in India."

The Honourable Sir Bhupendra Nath Mitra (Member for Industries and Labour): Standard.

Pandit Madan Mohan Malaviya: Yes, standard, and what did they recommend?

"Looking forward . . . . to the effective establishment in India of a gold standard and currency (I made a present of it to the Honourable Sir Bhupendra Nath Mitra) based on the principles of the free inflow and outflow of gold" the Fowler Committee recommended that·

"The Indian Mints should continue closed to the unrestricted coinage of silver and should be opened to the unrestricted coinage of gold

2. The sovereign should be made legal tender and a current coin.

3. The ratio between the rupee and the pound sterling should be Rs. 15 to the pound, i.e., the exchange value of the rupee should be 1s. 4d.

4. No legal obligation to give gold for rupees for merely internal purposes should be accepted (it is important to bear this in mind.)

5. The profit on the coinage of rupees should be held in gold as a special reserve and made freely available for foreign remittances whenever exchange fell below gold specie point.

6. The Government should continue to give rupees for gold, but fresh rupees should not be coined until the proportion of gold in the currency was found to exceed the requirements of the public."

It was all in order to establish a gold standard and currency, the whole scheme was meant for it. Otherwise, can any one imagine what justification there would be for taking away six annas out of every rupee from the people of this country? These recommendations were accepted " without qualifications " by the Secretary of State, who on the 25th of July, 18[illegible] " requested the Government of India to make pre[illegible]tion for the coinage of gold."

On the 31st of July 1899 the Viceroy telegraphed to the Secretary of State that the Government of India were preparing for the coinage of gold, and the Government of India put forward definite proposals for establishing in the Bombay Mint a branch of the Royal Mint for the coinage of sovereigns. Without going in detail into the subsequent history as to how this proposal was again and again considered and shelved, the point I wish to draw the attention of the Honourable House to is this, that when the 1s. 4d. ratio was adopted, it was declared that the profit on the coinage of rupees would be held in gold as a special reserve to facilitate the establishment of a gold standard and currency in India. It was money taken on trust from the people, and it should have been utilised for no other purpose than the introduction of a real gold standard and currency in this country. But what did the Royal Commission do? The Royal Commission overlooked the obligation under which the Government of India was placed to introduce a gold standard and currency. They had not a clean slate to write on. They could not propose any measure they thought fit. The word of the Government was pledged—nay, more, the Government of India was committed in writing to introduce gold standard and currency in India. It took money from the people and has gone on taking it till this day for a definite purpose, and it is bound by every moral consideration, and by every legal one, if it could be so called because the action of the Executive Government was tantamount to law without it being embodied in an Act by the Government,—to give the people a gold currency at the earliest possible moment. The Commission overlooked this important obligation, and I am sorry to say, that while I highly honour my Honourable friend, Sir Purshotamdas Thakurdas for his very able minute of dissent and for the manly and noble fight that he has been putting up against the 1s. 6d. ratio—the one regret I have about his minute of dissent is that, in his deep anxiety to promote the good of the country even in a partial degree, he did not lay the whole stress upon the introduction of a gold standard and currency as the one cure for the currency evils of this country. But it is open to this House to consider what should be done.

Sir, this is the first time in the history of British India that the Government is seeking to establish the coinage of the country by the votes of the representatives of the people. Hitherto it was all done by executive action. If this Assembly had not come into existence the order of the

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Government of India fixing the rupee at 1*s*. 6*d*. would have issued long ago. They might not have appointed a Commission, they might have appointed a Committee; but they would have fixed it at whatever figure they liked. But God bless the memory of Edwin Samuel Montagu who introduced the reforms in this country. And the most important feature of these reforms, so far as this Assembly is concerned, is that it is no longer possible for the Executive Government of the country to enact any law without the consent of a majority of the Members of this House. (*Mr. C. Duraiswamy Aiyangar*: "Except by certification.") Certification will not come in so often as some people imagine it might. If public opinion is strong, I venture to think, and we are bound in honour and in fairness to Lord Irwin to think, that His Excellency will not disregard the public opinion of the country on such a momentous issue. We have only to express ourselves clearly by a clear majority, or by a majority, and I venture to think that His Excellency the Governor General will not resort to certification in this matter when he knows that his own people, some of the best of his own people, the Lords of the Treasury and so many other Englishmen and Indians have condemned the proposal artificially to raise the value of the rupee.

Sir, it is deplorable that the Commission disregarded all the past obligation of the Government of India to introduce a gold standard and currency for which they had built up the Gold Reserve. They recommended a course which even before it was embodied in a law, has resulted in a substantial portion of the Gold Reserves having been frittered. £23 and odd millions of the Gold Reserve has gone And why has it gone if not to maintain the ratio at 1*s*. 6*d*? Will the Honourable the Finance Member tell me that if he had not manipulated the currency,—which he said the other day it was his duty to do—will he tell me that the ratio would have stood at 1*s*. 6*d*. during these two years?

The Honourable Sir Basil Blackett: It would have gone much higher.

Pandit Madan Mohan Malaviya: Then there would have been something more to consider, but I do not accept the Honourable Member's statement. (*Sir Purshotamdas Thakurdas*: "Quite right ") (*The Honourable Sir Basil Blackett*: "Why not?") I submit because there was a desire and an endeavour on the part of the Secretary of State to push the rupee and there was a distinct advantage to the Finance Member as such in doing so. And I say with great regret that he yielded to the temptations. He yielded to the temptation of raising and maintaining the ratio at 1*s*. 6*d*.—I will come to that a little later But I want to say here most emphatically that though the Royal Commission failed to recommend the policy which, according to the mature judgment of the Finance Department of the Government of India, the country needed, and to which the Government was committed by the previous history of currency in India, it was the duty of the Government of India not to accept their proposal, but to tell them, "We are very thankful to you for all the labour that you have bestowed or wasted upon a consideration of this subject. But you forgot that we are bound in honour to introduce a gold standard in this country. We gave you a scheme. We are responsible We eat the salt of the people of India, and we are bound to work for their comfort and welfare. We gave you a scheme after examining it in our own Department with the help of our experts, and we told you that we could introduce a gold standard, and you come and tell us that this cannot be done. We shall not listen to you. With all our

gratitude to you for the work that you have done, we regret that we cannot accept your recommendation." That was the attitude that the Government should have taken . . . . .

The Honourable Sir Basil Blackett: May I point out to the Honourable Member that I (not the Government of India) stated that that scheme could be introduced subject to conditions, which subsequent events have not fulfilled.

Pandit Madan Mohan Malaviya: I am thankful to my friend for reminding me of this. I have not overlooked the fact but my Honourable friend will agree that the conditions could be revised and reconsidered, that the commission could recommend that the scheme of the Government of India should be accepted and introduced with certain modifications. The Honourable the Finance Member and the other high officials of the Finance Department who work with him could have found solutions to remove the difficulties to which he has referred. The Government of India prepared and solemnly put forward a definite scheme for the introduction of gold currency in India subject to certain conditions. The Honourable the Finance Member and his colleagues foresaw the difficulties that required to be met It is only fair to the Honourable Member to presume that when he decided that that memorandum should be placed before the Royal Commission he and his colleagues really felt convinced that the difficulties in the way of establishing a gold standard and currency were not insuperable. If the Royal Commission pointed out objections to the schemes I submit they could be overcome. I have not yet heard of any single difficulty in the way of establishing a gold standard which cannot be overcome by the financial ability and experience which is available to the Government of India. I therefore submit that the Government of India failed in their duty to the people of this country, in accepting the recommendations of the Currency Commission and in not insisting upon a gold standard being introduced. Now, Sir, since the Commission met, India has already suffered a great deal of loss and we have the apprehension that the adoption of any other policy than the policy of introducing a gold standard and currency will inflict greater losses upon the country and will be most regrettable I may be told that there is not sufficient gold available to introduce a gold standard and gold currency. I have been told that 103 millions worth of gold would be needed and that America refuses and England refuses to let us have the gold. Let America be happy with her gold. Let not England give us an ounce of her gold. If the Government of India decide to-day or to-morrow to introduce a gold currency, I say there is gold enough in India which will be brought out to meet all the demands of the situation. You have only to introduce a sound system of currency and create confidence in the people. Let them feel that a gold currency has been established which is no longer to be tampered with except by a vote of the majority of representatives of the people and the necessary fraction of the vast amount of gold that there is in India, and the presence of which has long been a matter of comment and criticism to the Honourable the Finance Member and many others, will become available for the purpose. It is only a question of our making up our mind to do it. Where there is a will, there is a way.

Sir, what will be the consequences if this is not done? The Honourable the Finance Member has adopted the scheme recommended by the Commission It consists of two parts One part is now before us today and the other part is to come before the Assembly in September.

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In dealing with this part I would ask the House to remember that, in view of all that has been said by those critics whom I have quoted before, it is quite clear that artificially raising the value of the rupee is entirely unjustifiable. I submit it is a great wrong to the people. I will make my meaning clear. There are two things which kings and rulers are advised not to tamper with lightly. One is weights and measures and the other is coinage. Suppose to-morrow with the help of those Honourable Members who think on this subject with the Government, this House were persuaded or prevailed upon by hard canvassing or otherwise, to rule that every seer in this country shall mean 18 chataks, every *bania*, every fellowman who sells grain, milk or other edibles will have to put in two extra chataks to make up a seer. What will be the result? Throughout the country all purchasers will rejoice. They will rejoice that there is plenty 'rivers of honey and milk'. If you allow this system to continue for sometime, people will get so used to this unlawful gain, that if later on you should propose to stop it they will cry out against it. Every fellow who will go to buy any food or milk will be happy that things have become cheap. There will be joy in the land, everywhere except in the heart of the man who is the producer, who has to sell. I submit that if such a state of things is allowed to stand even for two years, is it any argument in favour of the injustice to say or think that prices have adjusted themselves. This is one of the most vicious view points that has been urged in this debate. No doubt when you compel a *gwala* to sell 18 chataks of milk instead of 16 chataks for every seer, he will get reconciled to it. You say his loss will be made good as he too will buy imported articles cheaper than before. You first take the blood from my veins and then you say you will inject other blood into me. I beg you to leave me alone. I do not want this process of injecting blood into me after taking out my blood.

Sir, when the Government raised the rupee to 1*s*. 4*d*. a great wrong was done to the people. However, for a period of 20 years the rupee stood at 1*s*. 4*d*. Why do they now attach so much weight to the period of the last two years, and why do they forget what prevailed for 20 years and more, prior to those two years. It is said that prices have adjusted themselves. But I ask what is the primary justification for permanently raising the value of the rupee from 1*s*. 4*d*. to 1*s*. 6*d*.? The greatest stress has been laid upon this one plea—that prices have adjusted themselves and that therefore things should be let alone. How does that remove the essential injustice of the measure that is proposed? Have you ever heard of anybody proposing in England that there should be 22*s*. to the pound?

The Honourable Sir Basil Blackett: Yes.

Pandit Madan Mohan Malaviya: I am sorry for you if you have. If you say to-morrow that there shall be 37 inches to the yard, how would people like it? Those who have to purchase will of course rejoice. But what of the man who has to produce? This is exactly what is happening.

It seems to me, Sir, that there are three matters which give us the genesis of the situation in which we find ourselves. In the first place, the raising of the level of exchange is a temptation to the Finance Member, and I am sorry he has yielded to the temptation in this instance. This

has happened twice in the last 30 years. In 1893, when the value of the rupee was raised, what was the effect of it? It brought in surpluses.

Dealing with this matter in 1902 in his budget speech Mr. Gokhale drew attention to it. He pointed out that a rise of 3*d.* in the exchange value of the rupee—from 13*d.* to 16*d.*,—meant a saving of between 4 and 5 crores of rupees to the Government of India on their home charges alone So it means to-day. The Honourable the Finance Member was brought out to this country to improve the bad financial situation which had been created by the amateurs and others who had dealt with Indian finance just before his arrival here. (*An Honourable Member*: "Question.") Oh, question. Very well. But you see what happened. He had to try to establish equilibrium and to show that the finances were flourishing. He saw that raising the level of exchange was one easy method of doing it. Now, Sir, I will read to the House here what the Honourable Mr. Gokhale said on this subject of the raising of the exchange value of the rupee and its effect. He said:

"The year when the rupee touched this lowest exchange value was 1894-95, the average rate of exchange realized in that year being only 13·1*d.* to the rupee. Government, however, had in the face of the falling rupee, resolutely maintained an equilibrium between their revenue and expenditure by large and continuous additions to the taxation of the country, and thus even in the year 1894-95, when the rupee touched its lowest level, the national account-sheet showed a surplus of seventy lakhs of rupees. From this point onwards, the currency legislation passed by Government in 1893 began to bear fruit and the exchange value of the rupee began to rise steadily. In 1895-96 the average rate of exchange realised was 13·64*d.* and the surplus secured was 1½ crores. In 1896-97 and 1897-98 the average rate of exchange was 14·45*d.* and 15.3*d.*, respectively."

Mr. Gokhale went on to show that the following two years were years of extraordinary expenditure on famines and military operations. And he continued:

"It will, however, be seen that if these extraordinary charges had not come upon the State, both years would have been years of surpluses, and the surplus for 1897-98 would have been closed upon 4 crores of rupees. In 1898-99, exchange established itself in the neighbourhood of 16*d.*—the average rate realized during the year being 15·98*d.*—and the year closed with a balance of 3·96 crores of rupees, after providing a crore for military operations on the frontier—thus inaugurating the era of substantial surpluses."

Similarly my Honourable friend the Finance Member has realized big surpluses. . . . .

Mr. President: I do not at all desire to interrupt the Honourable Member, but I ask him to consider whether the Assembly would be able to finish the consideration stage even in two days if speakers go on at this great length.

Pandit Madan Mohan Malaviya: With great respect, Sir, I would beg you to consider whether, if the discussion cannot be concluded to-morrow, the other work which is before the Assembly should not be postponed in order to allow a full and free discussion of this vital question.

Mr. President: The Honourable Member knows that it is not in the hands of the Chair.

Pandit Madan Mohan Malaviya: I know, Sir, that it is not in your hands, but I can only speak through you, and through you I appeal to the Government, and I request you, Sir, to use your privilege of communicating our wishes to the Governor General in Council to suggest that more time should be allowed for the discussion of this Bill, so that we may go fully into this question.

The Honourable Sir Basil Blackett: May I point out to the Honourable Member that he will have a further opportunity this Session of repeating, I hope not the whole, but some part of what he has said to-day when the Reserve Bank and Gold Standard Bill comes up for discussion.

Pandit Madan Mohan Malaviya: Sir, this I submit was one temptation and the Honourable the Finance Member yielded to it. Unfortunately two other temptations came into play which were likely to influence and warp judgment. One was that pushing the rupee is a distinct advantage to imports. Imports come cheaper when the exchange is raised from 1*s*. 4*d*. to 1*s*. 6*d*., and on the question of imports coming in cheaper it is not only solicitude for the welfare of the consumer in this country that is the determining factor. Is there a single English friend of mine here who will say that he does not rejoice to see British imports increase in this country? Who will deny that a high exchange helps British imports to come in to India to a much greater extent than a low exchange. The third point which warps judgment is that every Britisher who has got a fixed salary benefits to the extent of 12½ per cent. under the 1*s*. 6*d*. ratio. Now these being the factors which have affected the decision of the Government, a fair and impartial discussion of this question has become very difficult. But I beg to submit, that the primary consideration in this matter should be the interest of the cultivator because the cultivator constitutes the bulk of the population. From 60 to 80 per cent. of the population subsists directly or indirectly upon agriculture, and I submit, Sir, that the change from 1*s*. 4*d*. to 1*s*. 6*d*. has exposed the cultivator to serious loss. The Honourable the Finance Member said he gets just the same quantity of gold that he used to get. But does he not get fewer rupees? And are his transactions in gold? Can he cut his gold into fractions and get the exact value of those pieces? He has to deal in rupees. If the Government wanted to be fair in dealing with him, was it not their duty to consider at the same time what he has to pay? He used to be paid 15 rupees for a £.

The Honourable Sir Basil Blackett: When?

Pandit Madan Mohan Malaviya: You know when. When the rate of exchange was 1*s*. 4*d*., and he would be getting it now if you had stabilised exchange in 1924 when the ratio stood at 1*s*. 4*d*. If the Honourable the Finance Member had accepted the request of the Honourable Sir Purshotamdas Thakurdas and stabilised the rupee in 1924, then the cultivator would have been getting his 15 rupees for a sovereign all the time when he has been getting only 13⅓ rupees. He has got only 13⅓ rupees for every pound sterling for which he would have got 15 rupees. And what is the situation you have created for him? He gets fewer rupees and he has to pay nearly as many as he used to pay before. You say he has to buy certain imported goods and he gets them cheaper. How much of imports does he buy; and by how much have prices of things risen generally? Yesterday a professor of economics told me, Sir, that he used to buy a dhoti for two rupees and odd annas before the war. He has now to pay six rupees and odd annas for it, and he said the result is that he cannot buy three dhoties in the year as he used to and has to be content with two. That applies to many other people. Now, Sir, the cultivator has to pay what is due by him. But has there been a change in the land revenue? Has there been a reduction in the number of rupees which he has to pay to his creditor? Has there been a change in the rent he

has to pay? And was it not the duty of the Government when they proposed fixing the value of the rupee at 1*s*. 6*d*. simultaneously to introduce a law here to see that the land revenue and contingent liabilities should be revised on the footing of the 1*s*. 6*d*. ratio? I submit that has not been done and will not be done; I submit that the loss to the agriculturist is clear and he is the principal person to suffer.

It has been said, Sir, that if the ratio is reduced from 1*s*. 6*d*. to 1*s*. 4*d*., wage-earners will receive less wages. The Honourable the Finance Member excelled himself in the speech which he delivered to-day. The refrain he repeated was, 'for the permanent benefit of nobody.' Now, Sir, I wish what he said was true. But it is not. The permanent benefit of every Indian lies in the introduction of a gold currency and a real gold standard. The measure before us is of course of comparatively less importance by itself, but it has become of very great importance, because if we do not fix the lower ratio even now, the further loss that the people will be subjected to will be impossible to be compensated, and the chances of the introduction of a gold standard and currency will become more remote. It is said wage-earners will receive less wages. There is no doubt that some people will have to suffer some disadvantage if we go back to 1*s*. 4*d*. But suppose my bone has been dislocated. If it has been dislocated it has to be set, and if it is wrongly set it must be again reset or I will suffer the disadvantage all my life. When my bone was set two years ago it was wrongly set. You say it is now two years that it has adjusted itself in a way, and that therefore it should not be disturbed. I do not agree. I will suffer the pain, the temporary disadvantage of a rise in prices to ensure my future. I want to bear that pain now, the pain of the resetting, so that all the rest of my life I should be able to use my arm as God meant that I should use it. I do not want to be a cripple for all time by avoiding a temporary pain.

The Honourable Sir Basil Blackett: For the permanent benefit of nobody.

Pandit Madan Mohan Malaviya: If repetition was argument, Sir, my friend is unanswerable. I could also, if I had the time and the heart to do it, I could also say, 'for the permanent injury of all the persons whom my friend has mentioned".

Now, Sir, I will draw attention to another aspect of the question as it will affect the wage-earner. It has been said that the labourer will be hit. Now, Sir, I was talking yesterday to a friend, a Member of this House, who takes a keen interest in the welfare of labour. I am sorry he does not seem to be here just now. (*Mr. K. Ahmed*: "Is he a capitalist?") He said to me that a 1*s*. 6*d*. ratio is open to this disadvantage for the labourer that there is a danger of unemployment because the industries are certain to be hit if the 1*s*. 6*d*. ratio is adopted while a 1*s*. 4*d*. ratio would expose him to this disadvantage that the prices of things will rise and he will certainly be put to inconvenience for a time. Now I put it to the House that it is certain that if you adopt 1*s*. 6*d*., the industries of this country which are suffering will continue to suffer. (*The Honourable Sir Basil Blackett*: "Why?") You know what the condition of the country has been for the last two years. The answer is there: the stocks are there, but there is less buying than before. You import things cheap, but there is not money enough in the pockets of the people to buy them. You may cheapen imports as much as you like, but unless the people have the money to buy the imports with, the imports will not be disposed

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of in the country to any large extent, and I say therefore that if you will maintain the 1*s*. 6*d*. ratio the result will be certain injury to industries. I have heard it repeatedly said, repeated oftener than it should have been, that on this question capitalist interests are arrayed on one side and labour interests on the other. There never was a more incorrect statement uttered. The interests of the labourer lie in finding employment; he can only find employment if the capitalist finds it profitable to invest his money in industries, and that can only be done if the industries will leave him a fair profit. If you hit the industry, if you make the competition of foreign industries more severe, or if you make it practically useless for him to keep up the industry, the industry will go, and with it will go the employment of the wage-earner. The labourer therefore suffers along with the capitalist, and I therefore submit, Sir, that it is a wrong view that has been presented of a conflict of the two interests. For a time there will no doubt be some injury suffered by wage-earners by a rise in prices, but as I have said, I want to bear the pain, assuming that this will be unavoidable, I want to bear the pain of a re-setting of my bone rather than expose myself to a permanent injury, and secondly, Sir . . . .

Mr. Chaman Lall (West Punjab: Non-Muhammadan): Will the Honourable Member tell us as to what injury the cotton industry suffered when the exchange was at 2*s*. 11*d*.?

Pandit Madan Mohan Malaviya: Sir, I have not understood my friend's point Do I understand my friend, Diwan Chaman Lall, to desire that we should go back to 2*s*. 11*d*.?

Mr. Chaman Lall: All that I wanted to say, Sir, was this, that when exchange was over two shillings, the cotton industry in Bombay made a profit of 12 crores in one year.

Pandit Madan Mohan Malaviya: Sir, for three months, owing to the unlawful action of the Government in allowing exchange to go as high as it did, the capitalist in Bombay made an unjust, not an unlawful gain. Similarly, many Englishmen made unjust profits when the Reverse Councils were resorted to: how many of them are there who did not rush to send their money to England? I would like to know the names of half a dozen Englishmen who abstained from taking advantage of that improper and unjust situation which was created by the folly, the mistake of the Government. (*The Honourable Sir Basil Blackett*: "Why re-create it now and give another opportunity?") My answer is that if what I have said does not convince my Honourable friend, nothing will. We are not creating it. I am very sorry to say to the Honourable the Finance Member that it is he who has created it. He wants to start the work again. It is lucky that this Assembly is in existence now, and that he has to bring this matter before this House. I submit it is he who refused to stabilize the rupee at 1*s*. 4*d*. in 1924, and he has made enormous efforts to maintain it at 1*s*. 6*d*. Therefore, if there is suffering in this country by reason of this higher rate having been maintained, I am extremely sorry to think that it is due to the mistake of my friend, the Honourable the Finance Member. (*The Honourable Sir Basil Blackett*: "Why 'mistake'?") (*An Honourable Member*: "Deliberate".) No. I do not agree with anybody who thinks that it was deliberate. I think it was a mistake: and mistakes can be committed by everyone of us. But I think, Sir, it was a great mistake. He saw, as I have said, a temptation before him; he saw that the Government revenues were likely to be benefited by a higher

level of exchange. He took advantage of it. I repudiate entirely any suggestion that the Honourable Finance Member had any personal gain at all before his mind in supporting a higher rate. He saw that the Government of India finances would be better off by keeping the exchange up at 1*s*. 6*d*. He did not think it fit, in the interests of the country, to sacrifice the income which the Government was making by maintaining exchange at 1*s*. 6*d*. Of course he did not do it for his own personal gain, but I submit, Sir, that the fact that he did it for the Government does not make the consequences of the mistake any the less. The result to the people is the same.

I submit, Sir, that the idea that the wage-earner will suffer some loss should not mislead us. I ask every Member of the House to consider whether what I have submitted in this respect is not true. If the industries prosper, the wage-earner will have his wages and increased wages too. Why is there acute unemployment in England when even some British industries do not flourish? Do we not hear loud complaints of unemployment in England whenever industries do not flourish there? They do not rely upon distributing doles to their labourers, but they help the industries to prosper and leave them to do it. They do it, nobody can deny it, their whole history shows it. (*An Honourable Member*: "We do give doles.") Doles are not the main part of your system; you want to give employment to your people, you give them employment and you make them lusty and strong, and that is what I want for my country.

Mr. President: Order, order. The House stands adjourned till Half Past Two.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President in the Chair.

Pandit Madan Mohan Malaviya: I do not wish to take up more time, Sir, by going into the technical aspects of the question. A very important note, for which we are indebted to the Honourable Sir Purshotamdas Thakurdas and Mr. Ganshyam Das Birla, has put that aspect of the case in a clear and convincing form and I have nothing more to add to it. I myself feel satisfied after studying the question in the light of the various notes presented to us and all that I have heard, that if the 1*s*. 4*d*. ratio is adopted, we shall still be able to carry on the Government of India without any disaster. I believe we shall still be able, with the help of the Finance Department of the Government of India and of the Honourable the Finance Member, to secure all the reliefs or most of the reliefs which have been promised to the people.

The Honourable Sir Basil Blackett: No.

Pandit Madan Mohan Malaviya: I am sorry that my Honourable friend says no. I ask him, suppose the House does decide that the 1*s*. 4*d*. ratio should be established. Do I take it that my Honourable friend will not spend any more thought or time on considering how the budget might be re-adjusted? I do not take that view of him. I know that if according to his view, unfortunately according to his view, the House should decide that the 1*s*. 4*d*. ratio must be adopted, I am certain that the Honourable the Finance Member will reconsider the budget with all his skill and

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ability and try to do the best he can in the situation. In the light of the note by the Honourable Sir Purshotamdas Thakurdas and Mr. G. D. Birla, I myself think that it ought to be possible to carry out the suggestions made there (*The Honourable Sir Basil Blackett*: "No") and thereby to secure all the reliefs to the people that are needed. I myself thought the first time the proposal for the greater provision for redemption of debt came up that too much was being provided at the time, and I still think that in the preparation of the budget during the last few years the Honourable the Finance Member has thought more of strengthening the Government of India's position as a Government and less of the position of the people of India in the financial arrangements of the country. I wish, Sir, that more attention should be paid now to what is needed in the interest of the people as a whole and less as to what the surpluses will be year after year. I am certain that when a revision is made in that light it will be possible to give relief to the provinces to the fullest extent and also to meet the other expenses of the country by not putting aside as much as is being put for redemption of debt for the present. I do not therefore propose to take up more time of the House. I hope that the points which I have emphasised will be considered in all their aspects.

Lastly, I feel strongly, Sir, that this is the time when the Government of India should make up their minds to accept the amendments which have been suggested to lay down that fifteen rupee gold mohurs shall be minted in this country and that the Mint shall mint all the gold that may be tendered to it for that purpose. In this connection the view which has been put forward by the Indian Currency League is worthy of consideration. We are not anxious that the Government of India should at present undertake the responsibility of paying gold mohurs for rupees presented. We are anxious that the coming of gold mohurs should be provided for by law as it was in the Act of 1918. During war time the Government of India did enact that gold mohurs should be minted in this country, and all that is necessary to-day in this connection is to take the provisions of that Act and re-enact them as part of this Bill with such modifications as the experience of these years might have shown to be necessary. That is the Act No. XIV of 1918—an Act to provide for the coinage of gold coins at the Mints referred to in the Indian Coinage Act, 1906. This Act is exactly the law in which a provision like this should find a place. Section 4 of the Indian Coinage Act 1906 provides for the coining of silver coins. Section 6 provides for the coining of nickel coins and section 8 provides for the coining of bronze coins. It is a matter of regret to us, Sir, that there is no section in the Act to provide for the coining of gold coins. We now suggest that, after all the experience gained and after all the losses suffered, the Government should agree to enact provisions in the Indian Coinage Act to provide for the coining of gold coins. Section 3 of Act No. XIV of 1918 runs as follows:

"The following gold coin shall be coined at the Mint for issue under the authority of the Governor General in Council, namely, a gold mohur of 15 rupees piece."

Section 4 provides:

"The standard weight of the said gold mohur shall be 123·27447 grains troy Its standard fineness shall be as follows, namely: eleven-twelfths fine gold and one-twelfth of alloy: Provided . . . "

Section 9 provides that "the Governor General in Council may make rules to carry out the purposes and objects of this Act.". Notices of amend-

ments have been given by my Honourable friend Mr. T. Prakasam and by my Honourable friend Mr. Kelkar to secure this object. I hope that the Government will, on a correct reading of the entire situation and of the circumstances of the country, show due regard to Indian public opinion in this matter, accept those amendments, establish the ratio and provide for the coining of gold mohurs in the country, of the relation of 1 to Rs. 15, and frame rules in order that such gold coins may be coined. For the present we only suggest that the Government should establish the *mint* and provide for the coining of gold mohurs and that they need not undertake the liability to pay gold mohurs for rupees that may be presented to them. I venture to say that if these proposals commend themselves to the Government of India, a new era will dawn upon India. India has suffered more than words can express during the last sixty years and more by the changing policy of the Government of India in the matter of currency. Nobody can deny that it has suffered. From time to time Government have adopted measures to tide over difficulties as they have arisen, sometimes by legislation and sometimes by executive order, but it is high time now that a policy should be adopted once for all which will save us from all the troubles and losses due to exchange. We remember that an exchange compensation allowance had to be given for years together to a number of officers of Government. I do not know if anybody has totalled up the amount of loss that India has sustained over exchange during the last sixty years. If we now provide for the coining of a gold mohur which shall be equal to the English sovereign in weight and fineness, our standard coin should stand as one to one to the English Sovereign. There need be no longer any exchange trouble. Our gold mohur must be equal in weight and fineness to the English coin. If that is once established we shall make our payments in gold wherever we have obligations with people having a gold currency. Our internal currency will not be affected by it and our trade will not suffer. A new era of prosperity will dawn, which will enable us to give greater wages to wage-earners, to secure greater profits to the agriculturist, to promote indigenous industries and to see the dawn of a new day of happiness for the people of India.

Sir Victor Sassoon (Bombay Millowners' Association: Indian Commerce): Sir, my actions during the last few months in connection with the agitation on the subject of the ratio have incurred for me no small degree of censure not only from the supporters of the 1*s*. 6*d*. rupee in this country but also from the nearest members of my family abroad. I can only say that I wish that my critics were right and that I were wrong. However, while I must treat the question, which is not only controversial but acutely controversial, with an appearance of dogmatism which cannot be avoided, I shall attempt not to be unduly partial or unduly dogmatic, though it will be almost beyond human power to avoid this double risk. I have always been supremely conscious of the fact that we the supporters of the lower ratio have marshalled against us protagonists with the highest qualifications to rank as experts in these complicated matters of exchange and currency. I have always realised to the full that I can lay no claim to the title of expert. That I am indeed only a humble student in such matters, but my experience in the business world has shown me that the expert is by no means invariably right. Indeed, I and my interests have lost large sums through following the advice of experts. Nor is it beyond the recollection of Members of this House, particularly those coming from Bombay, that

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even Governments have suffered by the blind pursuit of the dicta of experts, however distinguished, and that losses have occurred which have had to be met by the unfortunate tax payer. But where, however, we in the business world have to shoulder personal losses besides having to face criticism by no means restrained, from shareholders by no means sympathetic, to the difficulties of commercial management, it is rarely in the official world that he who sows the seed has not been translated to higher spheres before the day of harvesting arrives, and the criticism of indignant representatives of the people is disarmed at the sight of a newly appointed official who begs them not to cry over spilt milk and to let bygones be bygones. I have tried to bring any small gifts that I may possess of understanding and common sense to bear on this question of exchange and I have not spared myself during the last 12 months in an attempt to master its intricacies. I found, however, difficulty at the outset to believe that the nation as a whole was to obtain an advantage through the remittance of what are known as "Home charges," that every Government official, every recipient of a fixed wage or salary was to benefit by a lower cost of living, every cultivator to find that the reduction in the number of rupees he received for his produce was to be fully compensated by the lower prices of the commodities that he might have to purchase, every creditor to benefit by 12½ per cent. in gold value both as to interest and to capital, every external investor in Government paper, mortgages, securities bearing a fixed rate of interest to benefit by the same amount, and all these symptoms of a new Utopia were to be obtained at the expense of a few plutocratic millowners from Bombay and others of the same kidney.

It is a fascinating speculation, Sir, that we owe largely to the imaginative genius of the Honourable the Finance Member. But my difficulty has been to reconcile so many of his views and statements with hard facts. I remember, for instance, on the day when sipping my morning tea and perusing my morning newspaper my unfeigned pleasure at reading a paragraph to the effect that the Honourable the Finance Member from the olympian pinnacle of his high office had stated that I was "a good agriculturist." For a while I allowed my fancy to toy in with pleasurable visions. I imagined telegrams coming to me from His Excellency the Viceroy, begging me to take up the post of Member for Agriculture, editors leaving their desks to ask me to name my price for an Article on Bedding out Bulbs in Bombay. But alas! such day-dreams were of short duration The cold relentless light of reason pointed out all too glaringly that the Honourable the Finance Member, in spite of his admittedly high intellectual attainments, had no justification to call me a good agriculturist merely because of my desire for the well being of the cultivator. So also in the matter of the ratio, I felt myself unable to accept the alluring picture painted by the champions of the 18*d*. rupee, and decided to look further afield. It was soon borne in on me that all these advantages of an appreciated rupee, if beneficial to India, would be even more beneficial to Great Britain in her dollar exchange, and could have been so easily obtained by that country merely following the example of India and demonetising her sovereign and raising the sterling value of the bar of gold. At the same time, the sterling dollar exchange could be raised as here by deflation, the manipulation or management could be continued until the new gold point was reached

and then any rising tendency could be stopped by further manipulation or management by the increase of, or if the Honourable the Finance Member prefers it, by the inflation of currency at the higher new gold point. Now, in my pursuit of truth, it was then that I came across a pamphlet by Professor Keynes entitled "The Economic Consequences of Mr. Churchill," criticising the British Chancellor of the Exchequer, not for refraining from raising the sterling-dollar exchange above the pre-war par, but for bringing up the sterling-dollar exchange by 10 per cent. to the pre-war parity. Mr. Keynes has been termed one of the most brilliant brains of the younger generation, so I think he may be allowed to be quoted against that band of intellectual giants, the supporters of the 18*d.* ratio. Extracts from this valuable pamphlet as well as Mr. Keynes' review of the situation a year later have, I understood, been in the hands of certain Members of the House, and so I shall restrict myself to point out that Mr. Keynes considers that the rise in exchange in England was in fact a move by Government to depress wages. I make that statement and emphasise it particularly for the edification of my friends who are interested in labour problems. I would also point out that Mr. Keynes states that by turning a profit of 3*d.* a ton into a loss of 1*s.* 9*d.* a ton, the action of the British Government was the direct cause of the coal strike with all its unfortunate effects on trade and commerce in that country; but at any rate, the action of the British Government did achieve one thing which it set out to achieve, and that was the retention of the world's money market. I fail, however, to see any such prize falling to India's lot through the action of the Government of India.

I would like to refer again to what I have already referred to in a previous speech as regards the position in England where a drop of 13 per cent. at ports only resulted in a drop of 4 per cent. in the cost of living. I should like to repeat that although prices there had adjusted themselves by 13 per cent. of which 6 per cent. was due to a world's drop in prices and the balance to the 10 per cent. appreciation of exchange, only 4 per cent. was the resultant drop in the cost of living, although we know that England has a highly organised banking industry and a highly developed competitive system of marketing the world's produce. And we who live in a bullock-cart country are asked to believe that barely two years after the establishment of 1*s.* 6*d.* gold we have almost completely adjusted our prices and cost of living to that figure Let me emphasise too that any advantage that India might hope to expect from the appreciated rupee could be expected in a higher degree by Great Britain owing to her debt to America and owing to the fact that she is dependent on imports of food materials for feeding her people So every argument that the Honourable the Finance Member can give us in favour of a higher ratio acts twice as forcibly in my opinion as far as the dollar-sterling ratio is concerned.

Now, Sir, let us come nearer home. Let me take a concrete case of the effect of the rise in exchange on a cultivator. And I shall take as my example a grower of cotton. I hope the House will not find me going too much into technical detail. It is difficult to make these matters simple but I am going to do my best. If we take the price of cotton at the point of export as 100 points, experience will show that of that 100 points, 22 per cent. are absorbed in moving that cotton from the up-country Raw Kapus market, ginning it, pressing it, transporting it, marketing it and

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putting it on board the ship. Of the balance of 78 points which the cultivator receives, 60 points are absorbed by his cost of production including interest, leaving a margin of profit to the cultivator of 18 points. That, Sir, was the position in the 1*s.* 4*d.* era. Under the 1*s.* 6*d.* ratio, the 100—the price at the port of shipment, not the price at the up-country market—the 100 becomes 87½. The charges are the same, so that the profit drops from 18 points to 5½. The House will therefore see that the cultivator's profit did not drop by 12½ per cent. or by one-eighth but by two-thirds. I have chosen the cotton-grower because in the past he has been having a better time of it than other cultivators. The price he got for his products has been proportionately higher than the average rise, in other commodities. With the result that until last year he was in a position to be able to pay off his debts and to put a little by. But what is his position to-day? He has seen a 50 per cent. drop in the world price of cotton. In any case, he finds himself unable to make a profit with his working costs as they were and yet he is forced to take one-eighth less for the value of his product not at his market but at the port of shipment, or else to allow consumers in this country to import American cotton for their needs. What can be the result of this except for him to sink back into the clutches of the money-lender again? And he is told by the Government of India through its Finance Member that the cultivator suffers no net loss. (Hear, hear.) Now, Sir, from the cost of living figures I gave the other day, some interesting deductions can be made. Our arguments, the arguments and the literature of the supporters of the 1*s.* 4*d.* rupee, our arguments with reference to cultivators outside those whose produce prices are directly affected by world prices, were based on the Government's assumption that internal prices for kindred articles had adjusted themselves and that there was in consequence an appreciable drop in the cost of living, though we have always fought the statement that the adjustment was substantial. If, however, those figures which I put before the House the other day are correct, then the drop in the cost of living is negligible. It follows that those cultivators who are not growing produce for export have not yet had to adjust their prices to the 1*s.* 6*d.* rupee and so are no worse off; and that to my mind is the answer to the statement that is often made that a large body of cultivators have not felt the pinch yet. They have not lost because there has been no adjustment or drop in the prices they receive. But if there has not been an adjustment the whole of the case for the 1*s.* 6*d.* rupee falls to the ground. Look through the evidence that was given before the Currency Commission. Witness after witness concurs with the higher ratio on the assumption that prices had substantially adjusted themselves. So all the painful processes of adjustment have still to come and the Government's advantages in indirect increased taxation is falling entirely on those producers of commodities in direct competition with foreign imports. Give us back our 1*s.* 4*d.* rupee and prices will only rise in those imported commodities of which we are told only 7 per cent. are consumed by the agriculturists, and in home produce directly competitive with them and these items form a very small part of the total cost of living budget. I admit, you see, Sir, that some things will cost more, though none will cost the full 11 per cent. more to the consumer, because the consumer pays retail prices and he does not pay c. i. f. prices. I admit that your whisky will cost you more, but I don't admit that man can live on whisky alone, no, not even if he be a Scot. And in any case large commitments have been made for forward delivery and exchange has been fixed

for these commitments, and the competition among importers will prevent prices from rising materially until the present stocks and stocks that are on their way here have to be replenished. Therefore, for all we know, by the time they need to be replaced, the world's prices may have fallen, so that, in spite of lower exchange, the result may be no higher cost in rupees. For we must not forget that some experts like Mr. Kitchin have foreshadowed a substantial fall in world prices during the next few years and though I don't think that they will fall by the full 40 per cent. that has been mentioned, still it does seem likely that we are now in a period similar to the last 25 years of the last century and that we shall have to look forward to a definite drop in world prices. So much for the bogey of rising prices if we return to the old ratio.

Now, Sir, let me try to sum up the advantages and disadvantages of the higher ratio. Firstly, among agriculturists at present only those growing an export commodity are suffering. But when the general adjustment takes place, then all must suffer during that painful period. Secondly, fixed wage-earners have not found any appreciable advantage in the higher ratio, because they only get an advantage through a drop in the general cost of living, and in some cases, such as employees of trading and manufacturing concerns, an era of depression means a reduction of staff and consequent unemployment to a large number of unfortunate family men. Thirdly, we get the advantage to Government finances which is a very real one despite the fact that budgetary considerations were not in the Finance Member's mind when fixing what ratio we should have. In attempting to estimate the price that has to be paid for the very real advantage that the Honourable Member has received, there is quite a definite difficulty, which has, I think, been the cause of so many perfectly true statements appearing so conflicting. I have tried to analyse this phenomenon and consider that it is due to a lack of clearness in laying down the fundamental premises or assumptions. We must either view the problem on the assumption that the cost of living and retail prices have for all practical purposes adjusted themselves to the new ratio or on the contrary assumption that there is a large mal-adjustment So as to show to the House how easily one can fall into error by mixing up these two assumptions, let me begin by criticising one of my own statements. The other day I was pointing out the difference in debt that the country was burdened with under the two ratios. I was entirely right when I stated that under the higher ratio the country had to pay 491 crores of grains of gold more than under the lower ratio. But in saying that, I omitted to state that I was accepting the Government assumption of a substantial adjustment. The burden of the country which is in gold can be stated either as 65 crores odd of 1*s*. 4*d*. rupees or 57 crores odd of 1*s*. 6*d*. rupees or 48 millions odd of gold sovereigns, but this burden would actually only be felt by those whose financial existence had only partially adjusted itself to the new ratio. If the grower of bajri, for instance, gets the same amount of rupees for his product under the 1*s*. 6*d*. as under the 1*s*. 4*d*. ratio if in fact, the gold value of his product is raised with his taxation and expenditure, he is no worse off practically even though his taxation is raised.

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The Government too only gains where prices have adjusted themselves, where in fact it pays the same gold value as before. It cannot gain in salaries as these having the same rupee cost have been raised equally in terms of gold. In other words, if, as I maintain, the general cost of living

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has not gone down, if, as I hold, the price of commodities in the country with certain exceptions is as high as before, if, therefore, the rest has all risen proportionately in terms of gold, then admittedly, the advantage to the Government and the burden to the people is limited to the Home charges and purchases of imported goods less the lower customs duties the Government may receive.

Now, who pays for this advantage? And who shares in it? It is only temporary as it only lasts during the period of adjustment and we are assuming with a certainty—regarding which I admit I still have doubts—that in the end a complete adjustment does take place.

What are these remittances? They are invisible imports as they represent services received, just as all remittances represent commodities or service received by this country. They, therefore, have all got to be paid for by exports and any advantage derived by imports is counter-balanced by an equal disadvantage to exports. As I have shown there is only an advantage while prices which include wages have not adjusted themselves.

Now, it has been estimated that the gross shortfall in rupees suffered by exports is in the neighbourhood of 40 to 45 crores a year and this is the fund therefore which must pay for any advantage that may be received by imports. These advantages, whether received by Government or others, are paid for at the expense of the producers of exports, so it is on this portion of the population that the whole burden falls, on this class that benefits only microscopically as consumers of imports.

I now turn to the argument which the Honourable the Finance Member on Friday last stated he had some difficulty in following and which is mentioned in the Memorandum that has so kindly been circulated to Members of this House. Let me restate it shortly and simply. What is put forward is, that if we turn the revenues of this country into golden sovereigns we find that the Budget asks for something like 15 million gold sovereigns more than it did in 1924-25, the year after the Inchcape Committee had done its work. But we go further. We say that the amount asked for this year is 6½ millions of sovereigns, or the equivalent, more than the revenues of the year previous to that in which the Inchcape Committee's recommendations took effect, and therefore, more than the very sum which the Inchcape Committee set out to retrench. The Honourable the Finance Member says that we must not ignore any difference in the commodity value of gold during that period. So, I will not ignore it.

If the House will look at Volume 2 of the Appendices to the Royal Commission's Report, page 33, it will find that at budget time in 1923, that is in March, 1923, there is a figure given for the United States gold commodity price, and if it looks at the figure for June, 1925, it will find that the commodity price in America—I choose America as being a gold country—dropped by 2 points. If you look at the article by Professor Keynes, dated June 2nd. 1926 in *The New Republic*, you will see that he gives the drop in the United States for the previous year as 6 points. So we have got a drop in world prices between March, 1923, and June, 1926 of 8 points. Now, Sir, how does the Honourable the Finance Member justify a rise in expenditure of the equivalent of 15 million sovereigns in 1926-27 over 1924-25 when the gold commodity price in that period has dropped? I could explain it.

The Honourable Sir Basil Blackett: I have explained it in another place on Saturday last.

Sir Victor Sassoon: I could explain it and I propose to explain it here. I could explain it by saying that the reason why the Honourable Member has had to raise the gold value of his expenditure is because the prices in India have not adjusted themselves to the *18d.* ratio and he has therefore had to pay an increased gold price for everything, or at any rate, for a great deal of his expenditure outside the Home charges.

The Honourable Sir Basil Blackett: Has the Honourable Member seen my statement in another place saying that we have not spent more?

Sir Victor Sassoon: I have not. I am afraid I was not present at the other place. It would be very interesting to hear how it is that, although the arithmetical sum says we have spent 15 millions more and the gold prices have dropped in the period—it would be most interesting to see how that is a delusion. I should have thought that the Honourable the Finance Member might have pointed out in his budget speech that there was only an apparent rise in the expenditure and he might have explained it there. (*The Honourable Sir Basil Blackett*: "I did.") I think the main reason is—whatever he may have said in another place,—the main reason is that he has not been able to reduce his expenditure in this country, and he has not been able to reduce the expenditure in this country because prices have not gone down, because prices have not adjusted themselves to the 1*s.* 6*d.* rupee. The Honourable Member will not say that, he dare not say that, because, if he did say that, he would be removing the very foundation on which the whole of the edifice for the 1*s.* 6*d.* ratio has been so painfully erected and it will come crashing to the ground. Incidentally, if I understood the Honourable Member aright during his remarks this morning, he said that if it could be shown to him that prices have not adjusted themselves he would go into the 1*s.* 4*d.* lobby. As the cost of living has not gone down appreciably and as I take it that prices of commodities besides rents and taxes do form part of the cost of living figure, I have every hope of seeing the Finance Member in the 1*s.* 4*d.* lobby. (Laughter.)

The Honourable Member accused me the other day of wishing to wipe out the debt by inflating currency after the example of Germany. When he took charge of the Finance Department the exchange was at 1*s.* 3*d.* gold according to his own statement. I have never criticised the Finance Member's action in managing or manipulating the currency till it reached 1*s.* 4*d.* gold. I have merely protested against the ratio being raised above that figure and I think that this House will hardly credit the charge that I, of all people in the world, I, who am a very large investor for my family interests in Government paper, would uphold any action of the Finance Member to repudiate the public debt by following the methods of Germany. So, it all comes down to this. Are we to burden that portion of the community which exports commodities for the advantage of the Government and of creditors? Are we to decide to make the whole country endure the painful process of adjustment to the 1*s.* 6*d.* rupee which has yet to take place, or are we to ask the Governments of this country, both Imperial and Provincial, to readjust their Budgets to the old ratio and give up some of the advantages which they have received during the last two years? At any rate, of one thing I do feel convinced, and that is, that if we are to return to the lower ratio, there is no one who can give us back our 1*s.* 4*d.* more economically than can the Finance Member if he should so choose. However much we may criticise his policy in certain directions, however much we may deplore a tendency to twist words to suit subsequent views

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instead of allowing them to remain at the meaning generally accepted by the public when they were spoken or written, not one of us, I feel sure, will deny that the technical reorganisation of the whole of the finances and the Finance Department of the Government of India—a reorganisation which is entirely due to the genius and the industry of Sir Basil Blackett—no one will deny that this is a lasting heritage for which India will ever be in his debt. I am a sincere believer that 1*s*. 4*d*. is for the ultimate advantage of India, but I will tell the House that I do see in a return to it a possible slight dislocation not of the trade and commerce of the country but of the financial arrangements of the Government. But knowing as I do how the British Civil Servant always gives of his best regardless of his personal views, I have a feeling of confidence that, should a return to the 1*s*. 4*d*. ratio be eventually decided on, we can rely on the knowledge, integrity and loyalty of the Honourable the Finance Member to make the necessary changes without any untoward disturbance.

The Revd. Dr. E. M. Macphail (Madras: European): Before I begin to make any remarks on this subject I should like to state that I do not speak on behalf of the European non-official group. As has been quite manifest, we are divided on the subject, and consequently we are, each one of us, free to speak and to vote as each one thinks best on this subject,—an example which I hope will be followed in other parts of the House. (*Sir Purshotamdas Thakurdas*: "Including the Government party.") (*Some Honourable Members*: "And nominated Members.")

Mr. President: Order, order. Dr. Macphail.

The Revd. Dr. E. M. Macphail: I do not wish to allow myself to be distracted by interruptions but it is a little difficult sometimes not to be distracted. What I wanted to say was that I have been very much interested in this question because it is an old familiar friend of mine. I had the privilege of living through the controversies of 1893 and 1898, in fact, I was a teacher of economics at the time. Consequently, my attention was drawn not only as a tax-payer and as a citizen to these subjects but also as a teacher of youth on economic subjects, and although I am now a supporter of 1*s*. 6*d*., in those days I was a supporter of 1*s*. 4*d*. and for the very same reason that I am a supporter of 1*s*. 6*d*. now. I do not mean to go fully into ancient history, but the Honourable the Pandit has set me a bad example . . . .

Pandit Madan Mohan Malaviya: Do not follow it.

The Revd. Dr. E. M. Macphail: I do not mean to talk for an hour and a half. He has gone back to 1878 when the first proposal was made to stabilise the rupee at 1*s*. 8*d*., and, I may call the Honourable Pandit's attention to this, to introduce gold currency. The wicked Government in 1878 actually proposed to introduce a gold standard and those weighty words which the Honourable Pandit read for our benefit and which were written by my Lords of the Treasury were written turning down this proposal for a gold currency which now the Honourable Pandit favours. Those words were weighty no doubt, but they were the outcome in my opinion of the mid-Victorian policy of *laissez faire*. The currency, it was held, must be sacrosanct, it must not be touched, it must not be interfered with, it must not be managed nor manipulated, although your currency might in many ways be bad. Now, let us see what the problem was that was before the people of India and before the Government in 1893. Per-

haps I may give my own experience of the rupee. When I came out to India in January 1886 we had a 1*s*. 6*d*. rupee, and so my first love was 1*s*. 6*d*. In the course of 1886 it suddenly dropped to nearly 1*s*. 4*d*. and I remember the sensation of horror that passed through every one that heard that the rupee had actually gone down to 1*s*. 4*d*. It went up again slightly and I went home—there was no connection between the two things—and I came back in the year 1890. During that period unfortunately there were other people who took to manipulating currency, and these were the Americans. They passed an Act for the purchase of silver and the consequence was that silver went up and with it the rupee. I was coming out in the months of June and July, and remember that at every port that I touched—at Aden, then at Colombo and then at Madras—I got a rupee less for my sovereign. The rupee jumped up nearly to 1*s*. 9*d*. That was in the year 1890. Then it went down and by the year 1892 it had gone down to 1*s*. 1*d*. Government intervened by closing the mints in 1893 and tried to raise the rupee to 1*s*. 4*d*. They succeeded in raising it to 1*s*. 4*d*. for a few days but it soon dropped again and went down to less than 1*s*. 1*d*. about 1*s*. ½*d*. Then it gradually rose until the year 1898 when it reached 1*s*. 4*d*. and was stabilised there. I am perfectly certain of this, that if nothing untoward had happened we should still be having a 1*s*. 4*d*. rupee and even Sir Basil Blackett would never have proposed to interfere with it. My friend the Pandit has a great idea of the omnipotence of Government. I know that some people are in the habit of jeering at Government's omniscience but the Pandit evidently thinks that in addition to being omniscient the Government is also omnipotent. What did he accuse the Government of doing? He accused the Government of raising the rupee from 1*s*. 4*d*. to 1*s*. 5*d*. and up to 2*s*. In a tone of horror he said "Is there any civilised country in the world in which such a thing was done before?" Was it really Government that raised the rupee? What was it that happened? The rupee broke loose because of the rise in the value of silver. The silver rose to such an extent that the silver in the rupee was worth a good deal more than 1*s*. 4*d*. and the consequence was that if the Government had not raised the ratio the rupee would have disappeared. All the rupees would have been melted down.

Mr. Jamnadas M. Mehta (Bombay City: Non Muhammadan Urban): Is the rupee a standard coin?

The Revd. Dr. E. M. Macphail: The rupee was in an anomalous position, Mr. Jamnadas, because it was neither exactly a standard coin or a token coin. It was a standard coin to this extent that it was unlimited legal tender but it was not standard coin in this way that it was the only standard that we had. We had an attempt at a kind of bimetallism that held on as long as the silver did not rise to the extent it did in 1917. When silver rose there was nothing for it but for the value of the rupee to go up. In other words what happened in 1917 was that there was a return to the monometallic standard. We went back to silver. Now the Pandit has waxed very eloquent over the iniquities of the Government in closing the mints in 1893. I ask my Honourable friend Sir Purshotamdas —does he approve of closing the mints or not? Does he approve of closing the mint? Was the Government's action in closing the mint in 1893 so wicked as the Pandit described it as being. Every conceivable adjective was used in the extract that the Pandit read.

Pandit Madan Mohan Malaviya: I want to say that I never used the word "wicked". I said it was unwise. I hope Dr. Macphail will not misrepresent me.

The Revd. Dr. E. M. Macphail: I do not mean that the Pandit called it wicked. I gave the substance of what he said. I know he did not use "Satanic" which is the modern word. He said it was very wrong. I will put it at that. I do not want to misrepresent the Pandit also. I did not mean to say that these were the Pandit's word, but he read an extract containing very strong language and he associated himself with the opinions expressed in that extract. Now the Pandit next proceeded to attack the Government for its wickedness in not introducing a gold currency. In 1878 and again in 1898 it was proposed that there should be a gold currency and in the document which the Pandit quoted from Mr. Dadabhai Naoroji, if he had gone a little further he would have read this:

"The second proposal for a gold standard must be abandoned. The conversion of silver into gold standard cannot be carried out without great cost, which will be the highest cruelty and tyranny to inflict upon the bloodless and miserable and helpless people of India, especially as this infliction is to be made on the false assumption that it will give relief from the burden of the remittance for Home charges when it will do nothing of the kind as stated by Government itself. The step is not at all necessary for any economic purpose except that it will be a convenience to the foreign exploiter, official and non-official."

There is your gold currency and your gold standard. That is the way in which Dadabhai Naoroji spoke of it in 1898 and now the failure to introduce a gold currency is brought forward as one of the iniquities of the Government, although it had been denounced in such unmeasured terms by Mr. Dadabhai Naoroji. I merely wanted to call the Pandit's attention to it because he said he had not studied economics before.

Now I want to say a little about what Sir Victor Sassoon said. My Honourable friend seems to have a misfortune in that he seems somehow or other to express himself at one time in one way and then to find out that he was wrong. (*An Honourable Member*: "So did you.") I do it often and it is a very commendable feature in his character that he admits that he was wrong. I want however to try to put right one or two things that he said, one thing at all events in which he unwittingly misled the House. The other day talking about the amount of cost added to the rupee debt he used certain expressions. I challenged him at the time. I did not get my chance then and I have got it now. What he said was that the rupee debt was so much and he multiplied it by an eighth and put it into terms of gold. He said, "I think I am safe in saying that the Government will saddle the people of India with an additional debt of 60 crores which will have to be met" and he made that statement after saying . . . . .

Sir Victor Sassoon: I explained it to-day.

The Revd. Dr. E. M. Macphail: He explained it to-day and I will explain it again. The Honourable Mr. Brayne said if you adopt this rate you will have to pay so many more pounds for your sterling debt and he made the reply that if you adopt the other ratio you will have to pay so many more pounds for your rupee debt. Unfortunately he was not satisfied with doing that. He went on to say that the Government was saddling the country with an additional debt of 60 crores of rupees barring the amount that had been raised at the rate of 1s. 6*d*. When I interrupted him I was quite sure he was making a mistake. I made inquiries afterwards and I found that of the large sum which he mentioned no

fewer than 80 crores of rupees were borrowed at the rate of 2*s*. In the fifties and sixties that was the rate at which it was borrowed and the consequence was that if you paid these people back you ought to have paid them back at the rate of 2*s*. to the rupee and not at the rate of 1*s*. 4*d*. I am not concerned as to whether it is going to be paid or not. I am merely pointing out that Sir Victor Sassoon made a very grave mistake in that matter and yet it was quoted by my Honourable friend Mr. Srinivasa Iyengar and others as being the very last word on currency questions. There was a tone of awe about the way they spoke about Sir Victor Sassoon. It impressed me so much that I looked up his evidence. I had done it before. I looked it up again in the Currency Report and I was pleased to find that Sir Victor Sassoon disclaimed altogether being a currency expert. His modesty is quite marked in these replies that he gave and he has shown us the same modesty again to-day.

Now, the other point which I wish to refer to in connection with Sir Victor Sassoon is the statement which he made in connection with the Railway Budget He said he had been mistaken about the cost of living. He had said that the cost of living had gone down and he finds it has not and he wanted to correct that statement. Well I think it is very right to correct a wrong statement, and I suppose Sir Purshotamdas Thakurdas is in the same position. But what I cannot understand is what all the shouting is about. If prices have not gone down, if the cost of living has not gone down, why are the mills in such difficulties? And after reading the note, after reading the Minute of Dissent—I am a plain man, I am not a business man—(*An Honourable Member*: "You are a professor.") Yes, I am a professor, and sometimes professors do not understand things properly. When I read these papers your complaints seemed to me to amount to this: "We are very much handicapped in our industry; our prices have gone down but wages have not, and the consequence is we must do something. We were tided over the difficulty by getting the cotton excise knocked off. That helped us, but if it had not been for the cotton excise we should have had to compel wages to come down. We are not able to fight with our people and consequently you must give us a lower rupee." Now, my own feeling in the matter is this, that there has been a great deal of unnecessary talk, first of all, about this being the natural ratio, and secondly there has also been a certain amount of misunderstanding with regard to the sanctity of the ratio. I do not know that it is really necessary for me to say very much about the naturalness of the ratio, after what I have already said about my experience of the rupee. I have stated what my experience of the rupee has been to me. It seems as natural that it should be at 1*s*. 6*d*. as at 1*s*. 4*d*. It was I admit, at 1*s*. 4*d*. for a considerable time. Now the argument is that once you have got a standard of value it is very wrong to meddle with it. I quite agree. It is wrong to meddle with it unless it is absolutely necessary to do so. (*An Honourable Member*: "Ah!") What I want to say to Sir Purshotamdas Thakurdas and to other people who have been talking on the subject, as for example, the Currency League, in connection with the standard of value is this. They say there is no difference between a pound, a yard and the standard of value in the precious metals. You will find that stated in many of the documents of the Currency League, and the Pandit to-day introduced very much the same kind of argument. It is the same kind of standard, that is their argument. Now what I want to point out is that it is not,

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and it is that fact that seems to me to be the moral justification of the changes brought about by fixing the exchange at 1s. 6*d*. Your standard of value is a thing that varies in itself, and you cannot prevent it from varying. However much you stabilise your rupee, you cannot stabilise your standard of value, because it is only one side of an equation and as the other side varies your standard varies. Let me take an illustration. If I take a pound weight of gold and another pound of gold and another pound of gold, the unit of weight does not vary. Each one of these pounds is of the same weight as the others. The gold does not vary either. It is the same quantity of gold. If I take a yard of cloth and another yard of cloth and another yard of cloth, all the yards are the same. But if I take a number of pounds of gold, a number of sovereigns, and if I increase that number indefinitely, their value changes. It is not a fixed thing like a measure or weight or distance. The value changes according to the quantity that you have. I know there are some people who deny the quantity theory. I cannot understand, after the illustration we have had in Germany, France and Italy, how any one can deny the quantity of money theory. It is simply that people deny facts they do not understand. (Laughter.) Why is it that there have been complaints against Sir Basil Blackett for deflation? I have been listening all this time in silence to currency discussions. Every day we have heard something about currency and every time Sir Basil Blackett has been accused of deflation. Why? What was his crime? He deflated. He took away some of the currency. What was the effect of that? Had it any effect? (*An Honourable Member*: "It pushed up the rupee.") It pushed up the rupee. Did it have any effect on prices? No, no effect. In fact one of the documents which I have received from the people who follow Sir Victor Sassoon has told us that as a result of the higher ratio prices are going up by leaps and bounds. (Laughter.) That is the kind of stuff served up to the ignorant people. (*An Honourable Member*: "Who was it?") It is written here it is one of your followers. (Several Honourable Members interrupted.) It was a supporter of the 1s. 4*d*. rupee. (*An Honourable Member*: "Name him.") It was a paper sent to me. I certainly do not subscribe for it. (Laughter.) It is called the "Business Advertiser", and it is headed "India, the Milch Cow." The levelling of price is spoken of as one of the reasons for getting a high exchange ratio. Come to the produce markets and see what has been the effect of the high exchange. The price of every necessary of life has gone up by leaps and bounds. (Laughter and interruptions.) I can give the gentleman's name if you want it, but I do not want to do anything to injure his prospects.

Well, Sir, the point that I was at when I was distracted by these interruptions was that the standard of value is a thing which itself varies. The standard of value varies. (*An Honourable Member*: "No, why should it?") The standard of value varies because it is one side of an equation. When you say that a sovereign is worth so much, what is it worth? It is worth so much of commodities. And the consequence is that what has been happening during these past years is that we have been having a rise in prices and a great many people have benefited by the depreciation in currency. Our currency is depreciated at present relatively to commodities. When I go into a shop and put down a rupee I cannot get for that rupee what I used to get before. When I go and buy a cotton

shirt I have to pay three times as much as I would have had to pay before the cotton mills put up their prices. (Laughter.) They were able to put up their prices and pay huge dividends. We did not pay as big dividends down in Madras, but we still pay dividends and we do not know what all the shouting is about in Bombay. Why is it, if people have benefited so much by rise in prices, that they should complain so much if something is done to benefit those people who have not benefited? I belong to a particular class, the class of educationists, who have suffered immensely by the rise in prices. My own salary I think rose by the magnificent sum of Rs. 50. Speaking generally—I do not know so much about Government servants—but speaking generally of other people, while the price of commodities doubled and trebled, salaries did not rise, and the men who were engaged on fixed salaries in all kinds of business suffered immensely. And one of the reasons why I should strongly support a 1*s*. 6*d*. ratio is that I hope it is going to do something to check the rise in prices. I hope, if it does not do that, it will at all events prevent prices from rising higher. I say frankly that I am going to vote for it partly for that reason. I think there are many good reasons for voting for that ratio. Sir Basil Blackett seemed to me to make out an unanswerable case for stabilizing the ratio at one shilling and six pence. It is curious to hear these gentlemen pressing for the 1*s*. 4*d*. ratio and to turn back to the Fowler Committee's Report and to read this:

"The advocates of the 1*s*. 4*d*. ratio point to the fact that this rate has now been more or less effective for the last 18 months, thereby establishing a *status quo* which it would be unwise to disturb. This argument would have the greater authority if the *status quo* had been established in a natural way, but the circumstances have only to be read to deprive it of any value. To arrive at a rate in this way and then point to the accomplished fact as disposing of any questions of its propriety is calculated to have an injurious effect on the country's interests."

(*An Honourable Member*: "You have spoilt your case.") I have not spoilt it. That was written in 1898 by the produce exporters, Messrs. Muir and Campbell, who were the representatives then of the school which Sir Victor Sassoon represents to-day. The disasters that were prophesied then have not come to pass. Let me read for the benefit of Mr. Chalmers a statement that I see here. Mr. Chalmers represents Assam and is interested in tea. "Charges that the manufacture of tea has been reduced to the lowest limit and the margin left for profit, with exchange at 1*s*. 4*d*. is simply *nil*." Everybody was going to be ruined. The indigo planters, the tea merchants everyone was going to be ruined, and yet this ruin did not come off. "The agriculturist is also going to be ruined"; he was not ruined. I know of course that the currency catechism tells you what was the fate of the agriculturist in consequence. It states that "owing to the Government of India having forced the rupee up from 11*d*. to 16*d*., they died off in millions during the famine time." That is again the stuff that is served out by the Currency League. (*Sir Purshotamdas Thakurdas*: "It was very rash.") I will read it to Sir Purshotamdas Thakurdas. (*Sir Purshotamdas Thakurdas*: "I have read it very carefully.") "This will result in their dying off by millions as they did in the period 1895-1900 when Government did exactly what they are doing now in order to force the rupee up from eleven to sixteen pence." Now I do not want to take up the time any longer of the House. There is only one more thing I will read; though I have got quite a selection of things here, (laughter) (*Sir Hari Singh Gour*: "Be careful what you read.") and I feel I have a better right than the Pandit to take at least my share of the time. What I want to refer to is the evidence given by Professor Marshall before the Currency

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Committee of 1898. Professor Marshall, who was one of the ablest economists, much abler than some of the younger people, was asked this question by Mr. Campbell: "In answer to question No. 11842 you say 'If the statement is that a depreciating currency gives a bounty to the employer who is producing for export, I admit it.' But you add "the bounty is just the same and at the expense of just the same people as that which he would get from a depreciating currency if he were producing for his home market and not for export." That means Professor Marshall was asked, what the effect would be of a fall in exchange and of the depreciation of the rupee. Would it give a bounty to the exporter? He said in reply: "Whom do you mean by the exporter? Do you mean the entrepreneur or do you include man who lends him money and the labourer?" He said the labourer was at least as important as the entrepreneur. Mr. Campbell continued: "I think you go on to say that the bounty to the exporter is at the expense of the employés?" Mr. Marshall replied, "Of the employés and possibly to some extent of the person who has lent capital to them," and he added: "The employé would I think lose a great deal." That I believe is the position still. I think the people who are going to lose, if you go down to 1s. 4*d*., are the people who have got small fixed incomes and the wage earning class; and I for one shall be no party to bringing about anything of the kind.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber: Indian Commerce): Sir, I have been looking forward to this day when it was to be my privilege to submit my views to this House in connection with the Minute of Dissent, which I thought it my duty to append to the Report of the Royal Commission on Currency and Finance. I expected, Sir, to have this privilege exactly 40 days back, and I was more than encouraged in it when I read in the records of this House of August last, that as early as the 23rd August of last year the Honourable the Finance Member had definitely declared it as his opinion that it was most urgent that the stabilization of exchange should be settled upon by this House. However, when during the subsequent months, Nature decreed that what the Finance Member then had so fondly expected was to go absolutely wrong, and when in August last year the Finance Member thought that he would be implored to buy exchange here, actually he was compelled to sell Reverse Councils in order to prevent exchange from going down, he made up his mind on the 25th of January this year that what was urgent in last August might be put off by another forty days. He then thought that it was necessary to have the help of the two Budgets in order to get this side of the House at least to see the charm of the 1*s*. 6*d*. ratio. These 40 days also have passed by and again he has found, if he will only read the signs of the times, one small weakness clearly shown on the horizon. During these 40 days, Sir, he found it necessary to modify the letter which he had written to the Bengal Chamber in 1924 promising the Imperial Bank of India the first part of emergency currency at six per cent. And in reply to a question he informed us naively that when he said that in the letter he had a mental reservation in his mind, that 6 per cent. was the minimum rate. 7 per cent., Sir, has therefore been the rate at which the Imperial Bank was given emergency currency this season, and yet the 1*s*. 6*d*. rate has refused to mount higher. The net result is that out of the requirements of the Secretary of State for this year, £5½ million or thereabouts still remain to be remitted, and I expect that the Secretary of State will be asked to run down his balance, a step which may well be followed in subsequent years.

I am very much inclined, Sir, to submit my case to the House in the same manner as the Finance Member has done. In fact I feel that I owe it to the House that I should tell them why I found it advisable to agree to gold bullion standard with the special condition that I have named; why I thought it necessary to differ from my colleagues regarding their Reserve Bank scheme; and why I considered it my duty to put in a dissenting minute regarding the 1s. 6d. ratio. But the time, Sir, allotted for the purpose of discussion of this Bill is so limited, and I am speaking at such a comparatively late hour in the day that I propose—and I hope I will have the approval of the House—not to take any more time to-day either regarding the standard question or regarding the Reserve Bank question.

I am quite aware, Sir, of the mild and considerate but unmistakable hint which my esteemed friend, the Honourable Pandit Madan Mohan Malaviya, threw out; he was sorry that I did not recommend or go in for full-fledged gold standard and gold currency. I know that I am criticised very strongly for this by persons and by professors whom I hold in the highest esteem and regard. I also know that they do not suspect my motives for what I have agreed to; but at the same time I feel—and I feel it all the more—that I owe an explanation to my country and to this House and at every stage. When the other two subjects come up it will be my duty to put my views before the House for such decision as may, in their judgment, be in the best interests of the country. To-day I, however, propose, Sir, to restrict my remarks strictly to the question of the ratio.

The Honourable the Finance Member has, during the intervening period from last August up to date, said in his several public announcements that the question of the ratio is a minor one May I ask him if he is still of the same opinion that the question of the ratio is a minor one and if he is prepared to accept 1s. 4d. if this House passes it, or does he think that the question of the ratio is all important to him and he must have 1s. 6d.? If the Finance Member feels that stabilisation is necessary and urgent, it may be stabilisation at any rate which the representatives of the people may consider to be suitable after very careful deliberation. After all they have had six months to do it. There has been fair consideration of the subject in the country and I wonder if the Finance Member would lay this down, Sir, as an absolute and sacred condition not to be questioned or to be disturbed that if stabilisation is required by the country it shall be only at the rate which he has fixed upon and at nothing else?

But before I deal further, Sir, with the various remarks of the Finance Member, I wish to give one or two minutes to the remarks of my Reverend friend, Dr. Macphail. Sir, Dr. Macphail, I am very glad, has told us that he was in the country when the agitation against the closing of the Mints was on Dr. Macphail asked "was the rupee pushed up?" He almost criticised my Honourable friend the Pandit for having said anything, if not in so many words, liable to that inference

The Revd. Dr. E. M. Macphail: On a point of personal explanation, Sir, I do not know what I said, but I certainly did not mean to say anything of the kind, because I was here at the time of the closing of the Mints and I know that the Mints were closed as the rupee had dropped. The whole object of closing the Mints was to push up the rupee

Sir Purshotamdas Thakurdas: I am very glad of the Revd Dr 's explanation. But I was wondering whether the Revd. Dr was referring to the Honourable Pandit's remarks that the rupee was pushed up by the Government of India after 1921 . .

The Revd. Dr. E. M. Macphail: I was referring to his remarks about the pushing up of the rupee in 1917 when the rupee went up over 2 shillings and he said anything like that cannot happen in any civilised Government.

Sir Purshotamdas Thakurdas: May I ask the Revd. Dr. Macphail if he will agree with me that the rupee was pushed up by the Government after it fell to under 1 shilling gold after the Reverse Councils? I make that deliberate statement, Sir, and I would like to be obliged with a reply if he agrees with me that the rupee was pushed up deliberately by the Government of India from 1 shilling gold after the Reverse Councils misfortune. Sir, it is this way. The rupee was pushed up, Sir, in this manner. A policy was devised and the rupee was left with that policy and it could move only one way and one way alone, that was improved, if not in one, in two, or three or four years.

What was done was this. All through, after the Fowler Committee report, which by the way was accepted by the Government of India, the Secretary of State and Her Majesty's Government *in toto*, the Executive began to evolve a policy quite different from the policy recommended by the Fowler Committee.

The Revd. Dr. E. M. Macphail: May I ask the Honourable Member . . .

Sir Purshotamdas Thakurdas: I propose to give way every time to Dr. Macphail.

The Revd. Dr. E. M. Macphail: I ask the Honourable Member when he is speaking if he would tell us whether he approves of the closing of the Mints or not.

Sir Purshotamdas Thakurdas: I am coming to that. I have got that point next on my notes.

A policy was evolved by the executive absolutely at variance with the Fowler Committee recommendations. In accordance with that policy— and I have given pertinent parts leading to this departure in paragraphs 1 to 49 of my Minute of Dissent—in accordance with that policy the country was flooded with silver coins, token coins; gold was not kept in this country but was removed from this country in spite of the protests of a strong Viceroy like Lord Curzon and was taken away to England. The first Commission, after the Fowler Committee report, appointed owing to protests from the late lamented Sir Vithaldas Damodar Thackersey and others, was appointed in 1913. Unfortunately the Chamberlain Commission's report, of which the Finance Member was a Secretary, submitted the report just before the outbreak of the war. That report practically remained uncriticised, or I may say unnoticed by the Legislature of the day or by the public. As soon as the War broke out, everybody, Sir, turned his attention to the War The rupee was kept pegged just as the pound sterling was pegged to the American dollar right up to the Armistice time and a little after it. Large exports were being made from here and on account of the small imports which could possibly come to India, we had the large balance of trade in our favour left in London. No gold could possibly come to India and no one, not even the Indian Merchants' Chamber in Bombay, said a word regarding the currency policy of the Government of India under those circumstances. We all felt that during a period when it was a question of life and death, after all the question of currency or anything else stood secondary. After the Armistice when the rupee was unpegged, when the sterling was unpegged with the dollar, came the rise. We had a large balance, Sir, due to us

in London. A Committee was appointed in London, the Cunliffe Committee, Sir, I think, had Sir Basil Blackett on it as a member. If I mistake not, the Chairman of that Committee was the Governor of the Bank of England. They sat for nearly three years and before that Committee could or did express any opinion, the Secretary of State appointed a Committee to consider a more or less permanent policy in the matter of (our) currency. Thus the Babington Smith Committee was appointed. The Babington Smith Committee had only one Indian on it, Sir Dadiba Dalal, who put in a Minority Report which is looked up to by Indians at least to-day as a monumental document. His was the opinion which came out right. During the period immediately following that report, it used to be my duty to be one of the few members of the Indian Merchants' Chamber who went to the Indian Merchants Chamber's office every day during the period the Reverse Councils were being sold. Nobody was listened to. Reverse Councils were sold, simply because the Babington Smith Committee had said something by a majority under different circumstances. World prices were falling. The Babington Smith Committee themselves had said that if world prices fell, their whole recommendation would require revision. This was pointed out by us to the Government of India. In fact, the tragedy of it is that on the day on which in October 1920 the 1*s*. 4*d*. gold rate was removed from the Indian Statute and 2*s*. gold was put on, the actual prevailing rate was close to 1*s*. 4*d*. gold. Crores of rupees of India were wasted. The exchange could not be maintained, and it fell to a little under 1*s*. gold from 2*s*. gold. Government decided to leave the rupee alone and the 2*s*. gold rate on the Statute became ineffective. My late lamented friend Sir Vithaldas Thackersey moved again in the Assembly in January 1921, and urged on the Government to revise this dead ratio. The Government of India refused to accede to his wishes. Sir Malcolm Hailey gave several assurances which, in the light of what has now turned out, were pious assurances. On a division Sir Vithaldas Thackersey's Resolution was lost by 4 votes. What has been the result? Ever since then up till now, the 2*s*. gold ratio has been left on the Statute-book. This has cut out gold being tendered to the Currency authority in this country, and whenever there was any favourable balance of trade, the automatic expansion of currency in India has been cut out. The Government of India has been practically the sole judges of the rate at which exchange can prevail.

4 P.M.

As to the figures of the absence of expansion and of the total deflation that has been effected by the Government of India till now from 1921, I hope the Honourable the Finance Member will at a later stage be able to give us a few details. I submit, Sir, that in leaving the 2*s*. dead and ineffective ratio on the Statute from 1921 up to date, the Government of India had nothing else or could have had no other consideration in mind than to bring up the exchange to a point which they themselves really wanted. Sir, after thinking over the whole question, I now make this statement deliberately, that if the Government of India had not put up the exchange beyond 1*s*. 4*d*. gold when reached in 1924, if they had pursued a correct policy in this matter, things would not have been brought to the state in which they are to-day. It is not difficult to understand why the Honourable Member to-day or on one or two or three different occasions said "Well, leave the exchange open". If you leave exchange uncontrolled, whenever there is a balance of trade in favour of India, exchange must go up. What I say is, why did you not in October 1924 put

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on 1s. 4d. on the Statute-book when 1s. 4d. gold was the actual rate available? Why did you leave it open? Is there any country that you can name which has done so?

The Honourable Sir Basil Blackett: Yes, Sir.

Sir Purshotamdas Thakurdas: Which one?

The Honourable Sir Basil Blackett: I do not like to interrupt the Honourable Member. He will find that Siam which is a neighbouring country to India has done exactly what India has done.

Sir Purshotamdas Thakurdas: Exactly, Sir. Is India to be compared with Siam? Is there any major country that you can name? I can also name some Colonies, British East Africa and Kenya. May I ask the Honourable the Finance Member to say if he considers that Siam and India are alike and can be reasonably compared in this matter?

The Honourable Sir Basil Blackett: I think they are very much alike in matters of exchange.

Sir Purshotamdas Thakurdas: Are they? What a comparison? Sir, I feel that my reply to the Revd. Dr. Macphail's first question is that the Government of India, if they urge they did not deliberately push up exchange since 1921, are guilty of having left on the Statute a rate which could achieve nothing else but appreciation in the value of the rupee. It is no good, therefore, turning to us to-day and saying that the Finance Member has only obliged us by stopping at 1s. 6d. while you might have had 1s. 8d., 1s 10d. or even 2s. I have before now publicly acknowledged what the Honourable the Finance Member did in asking the India Office to stop in their mad course at 1s. 6d. gold. All credit is due to him for having done that, but I think that he should and could have done better by us and earned our gratitude.

The next question, Sir, which the Revd. Doctor asked me was, was the closing of the mints right? Now, Sir, the difference between him and me in regard to this question is simple. When the mints were closed, I was at school. When the mints were closed, the Revd. Doctor was teaching Political Economy. But from what I have read and from what I have discussed with my friends, and especially after what has fallen from Pandit Malaviya, I can tell the Revd. Doctor this much, that the closing of the mints was protested against in no uncertain terms, as far as I can gather from previous records, because a full value coin was what was required by the people of India; that was taken away and a token coin was given to them. Why do Indians to-day, Sir, want a gold currency? Why do they want a full value coin to-day? Because they feel, Sir, that they cannot trust the Government of India in their currency policy. Past history is unfortunately against the Government of India. In fact, even to-day, Sir, it is a matter of personal regret to me, and it is a matter of personal loss to me that on this question such an eminent financier as Sir Basil Blackett cannot see that Indians are justified fully in the suspicions they have regarding the currency policy of the Government of India. When he put forward, Sir, his gold standard and a gold currency scheme, I thought that he had really hit the nail on the head. He said "I want India to go on to the ideal; I know that they want a gold standard and a gold currency; give it to them; and having given it to them, they will themselves get tired of the cost involved and they will take to the ideal

system". The only difficulty, Sir, was that there was a paragraph at the end of Sir Basil Blackett's statement which he possibly could not help—perhaps anybody else in his place would have had to put it in—the commission found in London that in the unsettled conditions in which Europe still is, Sir Basil Blackett's scheme caused almost alarm. But I am drifting into the gold standard and gold currency question. All I wish to tell the Finance Member is that, if his wide experience and acquaintance with the Indian public has not confirmed this impression on him, he might try again. The public in India want a full value coin until they can trust the Government's currency policy. They deplored the closing of the mints in 1892, because they would not trust a token coin. The subsequent history has not been to the credit of the Government of India, I must assert. If the Government of India now persist in carrying through the 1*s*. 6*d*. ratio or in doing anything against the 1*s*. 4*d*. after it is passed by this House, it will be another dismal chapter added to those already in existence.

But, Sir, I would like to remind the Revd. Dr. of this. On the Herschell Committee there were two members, Lord Farrell and Lord Welby, who said this in their supplementary minute: "Under these circumstances"—this is what they said,—"we could not join in the recommendation contained in the Report"—that is about the closing of the mints—"without at the same time recommending that the Government of India should, in view of the ultimate adoption of the whole of their plan, be prepared to secure the convertibility of the token silver currency and should with that object accumulate a sufficient reserve of gold". These two Lords were neither merchants nor exporters as Sir Victor Sassoon or myself. They themselves said that they approved of the closing of the mints on the distinct understanding that gold would be accumulated in order to get convertibility of the rupee into a gold coin. Is it the fault of Pandit Malaviya, I ask, that he uses strong terms in condemning the policy which took away from India a full value coin, giving hopes that gold currency would be available? And to-day we are told, gold currency and gold standard apart, have a promotion in your currency ratio, a thing which has no parallel in any part of the world.

Then, Sir, regarding the rupee borrowings of the Government of India, the Revd. Dr. asked my friend, Sir Victor Sassoon, whether it is not a fact that a few crores were borrowed in 1860-70 when the exchange was about 2 shillings? Surely, the question is not one of trying to do justice to the creditors. If that was the idea, what did the Government of India do in 1898 for their lenders from whom they had borrowed at 2*s*.? The whole question is of the rate at which Government are now making it compulsory on the tax-payer to pay the rupee debt of the Government.

The Revd. Dr. E. M. Macphail: Might I ask the Honourable Member why Sir Victor Sassoon made an exception of the money that was raised at 1*s*. 6*d*.?

Sir Purshotamdas Thakurdas: I don't know why Sir Victor Sassoon did it. I am only telling him the reasoning underlying this point. You have a certain debt in rupees. If you put 1*s*. 4*d*. on the Statute, obviously you will have to repay so many crores into 7·5 grains of gold per rupee or commodity value. If you put 1*s*. 6*d*. on the Statute, you repay so many into 8·4 grains of gold per rupee. The question of the rate at which the debt was really borrowed hardly matters, unless it is the Finance Member's

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intention to-day to try and do justice to the creditor, in which case of course another Bill will be required before the House.

Now, Sir, the Revd. Dr. Macphail had a fling at the Bombay mills. I don't wish, Sir, in the least to defend the Bombay mills. They have a very capable spokesman here in Sir Victor Sassoon. But I have myself been offered the honour of having put forward the views of the Bombay mill-owner in my Minute of Dissent. Now, I wish to point out this to the Revd. Dr. Macphail. Does he realise that, after all, if 1*s*. 4*d*. is put on the Statute, the mills in India (leave aside the Bombay mills, even including the Madras mills) will all have to pay 12½ per cent. more for 60 per cent. on cotton? Of the total expenditure, in which I include wages, stores and cotton, 60 per cent. is cotton. On that 60 per cent. the Indian mills have to pay 12½ per cent. more at 1*s*. 4*d*. On stores, which is about 5 per cent. of the total expenditure, they pay 12½ per cent. more. The whole point is whether the cotton industry suffers at 1*s*. 6*d*. and it applies equally to mills at Bombay, Cawnpore or Madras, I submit to the Revd. Dr. Macphail that the reason is that the purchaser of the produce of Indian cotton mills is the Indian cultivator, the Indian masses, the Indian middle classes at best. There are very few of the richer classes that buy the produce of Indian mills and it is because by the higher ratio you actually run down the buying capacity of the cultivator that the Indian cotton mills complain. If that is objectionable too, I submit to the Revd. Dr. Macphail, then only can he criticise the mills in their attitude. You really hit the largest class of their customers. The Indian mills do not export their cloth. They sell their cloth here. If you hit their best customer and practically their only customer, and if their buying capacity is contracted because of the 12½ per cent. by which you decrease the return to the grower of their raw produce, is it not right that even the most selfish of the mill-owners should get up and say that is a wrong policy? I hope that this at least will appeal to the Revd. Doctor.

But, Sir, the funniest part of his speech was towards the end. The Revd. Dr. Macphail said: "Oh, you all warned us in the past that everybody would be ruined, but nobody was ruined: nobody is ruined yet." Surely if there were people ruined, Dr. Macphail would not see them moving about? He personally would not see them. Some of us might see them. I submit that very few Europeans would actually see the Indian that is ruined, the Indian that is in distress. Unless the Revd. Dr. Macphail is a missionary, doing some social benefit work amongst Indians and is helping to support them by some donations, I submit, Sir, that he and very few Europeans would see the poverty or the ruination of the Indian part of the population. That would be reserved, Sir, for Members of this side of the House. It is not a racial question at all. You don't mix with that part of the population at all. You only move amongst the upper middle classes. Soon after the closing of the mint in 1892 there was a famine; not that the famine had anything to do with the closing of the mints. (Hear, hear.) The closing of the mints really reduced the staying power of the agriculturists. On the top of it came the famine, with the result that those who only fed themselves on a half or a quarter meal a day, what could they do, Sir, but fall an easy prey when scarcity and famine came on? Sir, I have here news about something which is more up to date. I have in my hand, Sir, a copy of the *Indian Daily Mail* of 10th February last. There is an article subscribed

by T. S. Dighe, a lengthy article, but I will only read one or two passages from it. It is headed "Famine in Berar" "Need for Civil Relief and Remission of Taxes":

"This year while the crop on an average in most of the villages in Berar is less than three annas, the rate of cotton is not half of what it was in the last two years."

Further on, Sir, he says:

"The agriculturist in Berar is hard hit. He has no money to pay Government assessment. The Berar Saokar has also no money as his coffers are empty, as they were not filled during the last two years owing to failures of crops. To-day, the agriculturist does not get loans even if he is willing to pay the extortionate rate of interest of 36 per cent. per annum, and is willing to allow deduction of 20 per cent. recently introduced as "Hundawan" in Berar by unscrupulous money-lenders.

No Bidders at Auction Sales.

Men outside Berar would be surprised if they are told that the peasantry in Berar has become so poor now owing to successive failure of crop that in villages there are no purchasers for land. . . . In one village (Rajandra) the sale of 24 acres of land which in ordinary years would have fetched at least Rs. 3,000 was sold for Rs. 320 and the claim of the Akola Bank was not satisfied even by this sale."

And, Sir, so the tale goes on. I hold this article, Sir, at the disposal of any Honourable Member who may wish to see it.

There is another, a later on, which is dated Ellichpur, 21st February. And I will only read the last two sentences.

"Normally the purchasing power of the individual in Berar has been always higher than in many districts in the Central Provinces, but the effects of the past three agricultural seasons have told more than ever, and the result is to be observed in lower prices and small profits, and in lower labour wages owing to there being no demand for the latter."

And, if in spite of this, it is contended, Sir, that agriculture is not hit owing to the change in the standard of payment, all that I can say, Sir, is that the whole issue is being put before the House in a manner that it may be more and more confused instead of getting clearer.

Now, Sir, I would like to take up one or two points in connection with what Sir Basil Blackett himself said. Sir Basil Blackett, Sir, in his speech, this morning, asked whether it was agreed that we should stabilise now. There is no difference of opinion about it this time. A few days back this House actually adjourned in order that we may compel Government to consider the Ratio Bill earlier than now. The whole difference is between the two rates. In supporting or advancing his rate of 1*s*. 4*d*. Sir Basil Blackett inquired what answer Government could give if there was bankruptcy due to the 1*s*. 4*d*. rate. I suppose he means bankruptcy in commercial circles. Now, Sir, whether 1*s*. 6*d*. if carried through, and adjustment to 1*s*. 6*d*.—such balance of it as is left over—is to be enforced—whether that will bring more bankruptcy or a reversion to 1*s*. 4*d*. will bring more bankruptcy is a question about which I would not be dogmatic myself. I would leave it, Sir, to various Honourable Members on whose vote this question depends, to decide it in the light of their own information and their own inquiries. But with reference to the Honourable Member's question I am inclined to give him a reply. I wish to ask the Finance Member if he is aware that when the Government really put 2*s* rate on the Statute and after the inability of Government to maintain the 2*s*., when many importers were ruined, there was a very strong complaint that the

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Government should give them some redress. Speaking in the Assembly, Sir Malcolm Hailey said as follows:

"But I would ask the House to remember that I definitely told the Legislative Council last year that it was impossible to say what variations might take place in the rupee-sterling exchange throughout the year. Ordinary commercial prudence should have led merchants to cover their exchange."

Now, if the Government of India had justification for what Sir Malcolm Hailey said in 1921 with reference to a rate which was put on the Statute and to maintain which the Government spent so colossal an amount, there is hardly anything to be said for a rate which is neither statutory nor has the weight of official indication; for, indeed, if there was an impression that the Government wanted 1*s*. 6*d*. it was known also that the Indian public were against changing the permanent ratio of India unless convincing proof to the contrary were evinced. Therefore, I submit to the Honourable Member that he will not find it difficult to give a reply. In 1921, Sir, Sir Malcolm Hailey gave a reply to the men who came to him for relief. He said that even though they had actually put 2*s*. rate on the Statute, they did not undertake to keep it up. Regarding 1*s*. 6*d*. the Government only said that they would maintain the 1*s*. 6*d*. rate up to a certain period, and after that, everybody knows that the ratio is to be decided by the Assembly. Therefore there can be no reply needed. But I suggest to the Finance Member very earnestly that the question whether it is the 1*s*. 6*d*. which will bring more bankruptcy or a reversion to 1*s*. 4*d*. is a question which to my mind is not very difficult to decide, but on which there can be serious difference of opinion with his view at least.

The next question is the question of wages and the Finance Member asked whether Members on this side of the House would really like those who work in the Postal Department, in the Telegraph Department, and the Railway Department should all be mulcted of their 12½ per cent., or if they were to be given increases, further taxation for that purpose would have to be voted. Neither is necessary and I assure the House that both of these are, if I may say so, very strong unjustifiable exaggerations by the Finance Member.

Sir, the Currency Commission based several of their recommendations on the opinion of Professor Gustav Cassel, and I will read, Sir, only one paragraph from Professor Gustav Cassel's Book on "Money and Foreign Exchange after 1914" (from page 274, if a reference is needed). He says as follows:

"Finally, emphasis must be laid on the fact that the policy of stabilisation cannot be merely concerned with a particular group of prices"

—I would like the Finance Member to remember this regarding what he was emphasising about my consent to the unanimous part—

"such as wholesale prices. Stabilisation must rather be extended to all prices, and consequently even to wages. Under normal conditions the natural formation of prices always tends to form a certain economic equilibrium between different groups of prices. A fundamental condition for this equilibrium is that produce—prices correspond to the costs of production—that is to say, the sum total of prices that have to be paid for producing the articles. This condition seems at present—(*i.e.*, in 1922, when the book was written)—to be far short of fulfilment in most countries. During 1921 wholesale prices dropped in a number of cases so excessively that they reached a level far below the costs of production. In such cases an adjustment is essential either by raising the price of the produced article or by reducing wages or other costs of production. If a severe reduction in nominal wages might be attended with very serious difficulties, due consideration must be taken of such a contingency when choosing the price level which it is desired in future to establish as normal. This

inevitable connection of ideas politicians usually seek to expel from their minds. It is inopportune to talk of a reduction of wages, and the subject is studiously avoided. And people are all the same quite prepared to hold out prospects of an improvement in the country's currency. This is a futile game of hide-and-seek. It is now a primary necessity for all nations and all classes to learn to look reality in the face. There are no grounds whatever to justify the idea that it will be possible to maintain wages at a relatively higher level than the prices of commodities. Indeed, this would mean that the productivity of labour had been increased through the disturbances we have suffered since 1914. Still, there can be no one who would ever seriously champion such a theory."

We should, therefore, Sir, be satisfied whether wages and salaries have gone down in proportion to the 1*s.* 6*d.* rate before we can accept the theory recommended by my colleagues of the Commission. If this is not the case, as we all know it is not, because wages have not yet gone down; and if we still decide upon 1*s.* 6*d.*, we shall be giving a mandate to the parties concerned to reduce wages and salaries. Government servants including the Finance Member and his peon, that is high and low, clerks and other employees in business firms, as well as labourers in industries, in manufacturing concerns or on the field should be all prepared for a reduction in their emoluments at an early date. Those who are taken in, on the score of the interests of the consumer, will see that no amount of jugglery on the part of any Government will prevent this inevitable economic law from coming into operation. If there is any effort on the part of the parties concerned to oppose the reduction of wages and salaries which must follow the 1*s.* 6*d.* rate, it will mean serious struggles between capital and labour. And in this connection we may point out the fate of highly organised and politically supported labour in England in the coal industry. They had to submit to proportionate reduction in their emoluments due to the deflation practised in England. And indeed this is not a rosy prospect in order that we may consider the 1*s.* 6*d.* ratio.

We are told that if the 1*s.* 4*d.* rate is put on the Statute, these people will suffer. The Revd. Dr. Macphail said that he supports the 1*s.* 6*d.* because he feels . . . .

The Revd. Dr. E. M. Macphail: Partly because.

Sir Purshotamdas Thakurdas: Yes, partly because—you did say partly because—he feels that that would give his very limited income a larger purchasing power. Sir, in laws of economics nothing drops from heaven, and very little grows from mother earth by way of money. If Dr. Macphail says that somebody gains, who pays it? I venture to ask the Rev. Dr. Macphail this question "Who pays it?" Does it come from the coffers of the Government? Does it come from the coffers of my Honourable friend, Sir Victor Sassoon, who, I understand, has got a few crores of rupees and he may not mind taking out a crore and giving it: certainly it does not come from out of my pocket. Who pays it? I submit to the Reverend Dr. that he might think over this problem again and I am sure he would be the last person to ask to be allowed to benefit a little, even though it be a limited income, if the tiller of the soil in Madras lost it.

The Revd. Dr. E. M. Macphail: I take the tiller of the soil amongst my own people.

Sir Purshotamdas Thakurdas: The only difference is that your income goes into hundreds of rupees a month and his runs into a hundred rupees at the most a year.

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The Honourable the Finance Member warned us about strikes. Nothing else can lead to strikes more surely and more unmistakably than if you try to push through this 1*s*. 6*d*. and stabilise it (The Honourable Sir Basil Blackett rose to say something.) There is no question about it. The Honourable Member will have his right of reply. If he will give me a right of reply after him I will sit down and give way every time. Surely, it is impossible that you can afford to pay your labourer at a rupee worth 8·4 grains of gold the same amount as you were able to pay when the rupee was worth 7·5 grains of gold. If I am a cotton grower and grow 5 candies of cotton and if you decide because of your power that the price to me in rupees should be restricted only to the appreciated rupee I am bound to get fewer rupees in contrast with the world gold prices, and world gold prices cannot be influenced by any Government ever so powerful. Therefore if I am going to get fewer rupees I cannot possibly pay out the same number of rupees which I used to pay out when the rupee was lighter in gold by one grain. I submit therefore that it is no use contending that labour wages will not go down at 1*s*. 6*d*. They are bound to go down. The difference is this. They will go down then numerically and in volume. To-day you take them away by restoring the 1*s*. 4*d*. and making the rupee worth 7·5 grains of gold as it was before the war.

The Honourable the Finance Member asked 11 questions. I remember those 11 questions very well. I have got a reply to those 11 points ready with me, but I feel that on this general discussion I should not take more time and thus curtail the time available for other Honourable Members. I take up the Honourable Member's challenge and I will reply to those 11 questions on the amendment regarding the ratio which is bound to be moved by one Honourable Member or another. But I ask the Honourable the Finance Member if he will reply to a few simple questions which I propose to put to him. I am sure that he will not have to look up many figures. I want him to reply to them so that the House may decide fairly in the light of facts. I do not want him to say "Yes" or "No" before he sees the questions. (Laughter.) I am serious and shall read out my questions:

(1) Is it a fact that no other major country in the world has appreciated its currency above its pre-war ratio in relation to gold? If the reply to the above be in the affirmative, what are the reasons for India being treated in this special manner by the Government of India?

The Honourable Sir Basil Blackett: That is easy.

Sir Purshotamdas Thakurdas: (2) Is it a fact that Government have been able to push up the rupee to 1*s*. 6*d*. gold owing to their insistence on retaining the dead ineffective ratio of 2*s*. gold on the Statute-book which prevented gold from being tendered to the Currency Authority in India? Is it a fact that the Indian commercial community protested against this ever since 1922? Was 1*s*. 4*d*. gold available for being put on the Statute in October 1924 and why was that opportunity deliberately allowed to pass?

The Honourable Sir Basil Blackett: That is easy.

Sir Purshotamdas Thakurdas: I told him that I would give him very easy questions to answer. (Laughter.)

(3) Is it a fact that:

(*a*) the policy of working up the ratio beyond 1*s*. 4*d*. gold has been accelerated by the Government of India starving the country of normal expansion of currency during the years 1921-27? and

(*b*) that during the current year (1926-27) very large actual deflation of currency has taken place?

(4) Is there any major country that can be quoted as having been treated in the manner that India has been treated during the last six years, *viz.*, insistence of Government to keep an ineffective ratio of 2*s*. gold on the Statute-book cutting out gold for tender to the Currency Authority? And if so, will the Finance Member name such country or countries?

(5) Will Government put on the table a statement showing the total nett amount of deflation done since 1920 year by year?

(6) What is the basis of the figures of production and price level on which the Finance Member justifies his policy of:

(*a*) compulsory non-expansion of currency, and

(*b*) deflation of currency during the period 1920 till 1927?

I will, when the ratio amendment is under consideration, submit to the Honourable the Finance Member my replies to his 11 questions. I hope he will reciprocate the courtesy by giving me such answers as he may think proper to my questions. On these two let the House judge.

Regarding the Fowler Committee's report, the Honourable the Finance Member said that Members on this side were very fond of quoting minority reports. Unfortunately, for India, it has been so. Where you put a minority of Indians on a Commission and where one or two out of them have the boldness to say something which is again a minority within a minority, is it a wonder that the Indian public in the light of the experience of the past attach a little more weight to such daring member than perhaps the member deserves? I happen, Sir, to be one of those fortunate or unfortunate ones, whichever way you look at it, and I feel that my countrymen have valued my services more than they deserved; but that does not make the material in my Minute of Dissent any the less worthy of their attention. Regarding the Fowler Committee report, the Honourable the Finance Member said that the members who have been quoted from the Fowler Committee recommended 1*s*. 3*d*. It was the majority of the Committee that said 1*s*. 4*d*. To-day the question is between 1*s*. 6*d*. and 1*s*. 4*d*. He asks, why do those members who quote the dissenting members of the Fowler Committee not favour 1*s*. 3*d*.? If I may say so to the Honourable Member, this is a very good trap. The question is now,—as it was then between 1*s*. 4*d* and 1*s*. 3*d*.—the question is now between 1*s*. 6*d*. and 1*s*. 4*d*. Nobody asked to-day for 1*s*. 3*d*. or anything under 1*s*. 4*d*., because that would be unfair and doing injustice to the creditors. We ask for 1*s*. 4*d*. because 1*s*. 4*d*. was on the Statute-book till 1914. India's currency, if the Honourable Member will only look at the figures—India's is the only currency which got least disturbed, because 1*s*. 4*d*. gold was only disturbed for a period of three years, and even then it was 1*s* 5*d*. and not 1*s*. 6*d*. Sir, a reference to Appendix VII in Volume III of the Royal Commission's Report will give the figures. I have got the figures but I do not think it necessary to give them. All that I say is that 1*s*. 4*d*. gold was longest in existence during the last 12 years and as a matter of fact it was exceeded only for

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about 18 or 20 months. That was the only period when it exceeded 1*s*. 4*d*. gold and for the rest of the period it was under 1*s*. 6*d*. gold. So nobody wants 1*s*. 3*d*. I know that 1*s*. 3*d*. would be as unfair to the creditor as we claim to-day that 1*s*. 6*d*. is unfair to the debtor.

The Finance Member further said the agriculturist receives the same gold in world markets. It is not doubted at all. For your agricultural produce you receive the same gold in the world market. It is in bringing gold from the international market to India that my Honourable friend intervenes and by fixing the ratio at 1*s*. 6*d*. he prevents the sovereign from being converted into Rs. 15. He compels a man here to be satisfied with only Rs. 13-5-4, and takes a part of the difference for his Budget, which is shown as a surplus budget; he gives provincial contributions and gives the rest to those who remit money outside India. It is here that the real mischief comes in. Therefore, if Government are prepared to give India a gold currency the question will only affect debts outstanding up to date. Until that I feel very strongly that the greatest possible injustice will be done to the masses of India by not reverting to 1*s*. 4*d*. and by stabilising at 1*s*. 6*d*.

My attention has been drawn by a very esteemed Honourable Member to paragraph 191 of the Majority Report and I have been asked to say why in other countries adjustments of prices take place in one year or two years and why in India it should take longer. Now, Sir, take England itself. When they went to the gold point, in April, 1925, Professor Keynes is reported to have said that it would take two years for complete adjustments Now, Sir, the trade of England is mostly export and import trade. England has to import for the purposes of her own food. England has to export most of her industrial manufactures and for the United Kingdom the internal trade in addition to the export and import trade is estimated at anything between 15 to 20 or 25 per cent. of the total trade. Any way it does not form the major part of the trade of the United Kingdom. Even in a country like that adjustments to a 1 per cent. rise in currency amounting to 2 per cent. is said to take two years. As against this for India, her export and import trade is estimated only to be a fraction of her total trade. The internal trade of India is estimated at anything from 10 to 15 times the external, *i.e.*, export and import trade. You have therefore a country with the bullock cart, as Sir Victor Sassoon said, with 10 to 15 times internal trade as against England which has most of her trade consisting of her export and import trade and when you bear in mind that the import and the export trade adjust themselves in exchange simultaneously practically within a day, surely if England takes two years for complete adjustments, in India where the internal trade is ten times the import and export trade it would be risky and dangerous to assume that the adjustments can take place within less than 7, 8 or 10 years. And to-day for 1*s*. 6*d*. gold we have not even completed the second year.

Sir, the Finance Member said that sanctity of the ratio is after all sentimental. Well, sometimes there is some good even about a sentiment May I ask the Finance Member this? What is the intention of the Government of India or of the India Office in this respect? Sir, gold standard and gold currency are after all India's birthright. We shall have it out of the Government of India, if not now, within 5 or 10 years. That is not a gift that we are looking forward to. It is our

birthright. If we are united we shall fight for it and win it. We are anxious that we should not have it at the inconvenience of England. We are anxious that we should not disturb European conditions. But is it the intention of the Government of India and the India Office that until we can have or until we take from them a gold standard and gold currency, they are slowly giving us promotions from 1*s*. 4*d*. to 1*s*. 6*d*. 1*s*. 6*d*. to 1*s*. 8*d*., then 1*s*. 10*d*., and then 2*s*. Unless there is sanctity attached to this question of the ratio, I have not the least doubt that in order to bolster up Government Budgets, in order to avoid further taxation, in order to make up for increasing expenditure of all kinds we will slowly be driven into a higher appreciation of the rupee, further grinding down of the masses and that is a thing which no Indian, Sir, who has taken the slightest trouble to understand the problem would even think of with equanimity. I have only one word more to say regarding a query put by my Honourable friend Diwan Chaman Lall in connection with the rate of 2*s*. 10*d*. that prevailed for a short while in 1920. He asked the question why the Bombay mills did not suffer when the exchange rate was over 2*s*.?

Mr. M. A. Jinnah (Bombay City: Muhammadan Urban): They made money.

Sir Purshotamdas Thakurdas: Although the ruling rate in 1920 was 2*s*. and over, owing to paucity of stocks of piece-goods, etc., here, all manufacturing concerns, not only cotton mills, were practically coining money. If they were not coining money, they were coining gold. If they were not coining gold, they were coining diamonds in some cases. There was no question then, Sir, of the ratio, of the exchange. If in 1920 the Babington Smith Committee had been a little less greedy and a little more discreet they might have got through 1*s*. 6*d*. But there is a God above. England became greedy. The 2*s*. failed. The Government have now learnt wisdom. They now want to give us promotion step by step. I hope no Indian will agree to a course which has no precedent in any other country and which every economist of the past century has run down in terms which I need hardly repeat. I therefore strongly support that the Bill be taken into consideration and I hope that when the amendment comes up the House will vote for 1*s*. 4*d*.

Mr. Arthur Moore (Bengal: European): As I listened to the extremely interesting speech we have just heard and the very delightful discourse of the Honourable Baronet, I felt as if a sudden smoke screen had been interjected between my eyes and the clear light of economic truth. I should like, Sir, to try and dissipate some of these clouds. I was particularly amazed at the beginning of Sir Victor Sassoon's speech by the fact that he claimed the authority of Mr. Maynard Keynes for the 1*s*. 4*d* rupee. Now Sir, that is entirely contrary to the facts. I refer any Member to the evidence of Mr. Maynard Keynes before the Royal Commission. I am quite sure that my recollection is accurate. Mr. Maynard Keynes said that he strongly advised the Commission to do nothing at all, not to stabilise the rupee in terms of gold at present but to carry on the very policy which the Finance Member has been carrying on for the last five years; that is to say, to maintain a stable level of internal prices as far as possible. I appeal to Sir Purshotamdas Thakurdas who himself interrogated the witness in London whether I am not right in saying that when Sir Purshotamdas tried to pin Mr. Maynard Keynes to the proposition that if a major Indian crop failed in the monsoon he would be justified in lowering the ratio Mr. Keynes would not accept

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that proposition. All that he would commit himself to was that the Government, or whatever authority managed the currency, should be prepared to move the ratio either a penny or a half-penny, but not more, either way for a rise or fall of 10 per cent. in world prices. That was the evidence of Mr. Maynard Keynes. Therefore I hope that Members will not run away with the impression that he is in favour of a 1s. 4d. rupee. Now, Sir, what was the further point which enabled Sir Victor Sassoon to bring in the name of Mr. Keynes? He quoted from a pamphlet called "Economic Consequences of Mr. Churchill", and in that Mr. Keynes criticises the British return to the gold standard as premature, and claims that it was one of the causes of the coal strike. Well, Sir, I am for a 1s. 6d. rupee. (An inaudible interruption was made by Sir Victor Sassoon.) I did not interrupt the Honourable Member during his speech and I was sorry to see that he interrupted Dr. Macphail continuously, and if he interrupts me in my speech I shall deal with him. The point of Mr. Keynes was this, that the return to a gold standard was premature. Now, Sir, I am prepared to accept that dictum for the very reason which makes me accept 1s. 6d. in India. The Finance Member is proposing to return to 1s. 6d.—that is to say, to stabilise at 1s. 6d. in terms of gold—after actual stability has been attained, whereas what was done in England was that they returned to pre-war gold parity before stability had been attained, and forced it from a lower figure. Therefore, I accept the dictum of Mr. Keynes. But Sir, Sir Victor Sassoon as a 1s. 4d. man would naturally not accept that dictum. He represents a very important financial house which has very properly very important interests to protect. And I say that the very same reasons which make that financial house and Sir Victor Sassoon supporters of the 1s. 4d. rupee in India make them support in England the appreciation of the pound. Therefore I say that you are asked in this House to regard this return to the gold standard as a bad policy, whereas actually it is a policy which the Honourable Baronet and his firm must inevitably support and, I am quite sure, did actively support. So you have been asked to accept something as the Honourable Member's view which is in my opinion entirely contrary to his real position.

Now, Sir, if we try to clear away all these misconceptions and look at this question in its simplest light, I think we ought first to examine what is the common ground on both sides. Well, Sir, I think the common ground is that this is a battle of prices. Unless it is a battle of prices it has no other meaning at all. The proposition put forward by one side of the House is this, that prices are at present adjusted to a 1s. 4d. rupee, or more or less adjusted to a 1s. 4d. rupee, but they have not adjusted themselves to a 1s. 6d. rupee, and therefore the Government ought to bring the rupee down to 1s. 4d. which is its proper level in relation to prices. Well, Sir, that again is a proposition which I can easily prove to be totally contrary to facts. It sounds all right, because it is true that in this country we are accustomed to the fact that a fall in prices internally corresponds to a rising sterling exchange. As the rupee goes up prices come down. That certainly is the ordinary working of the economic law. But surely we must take account of the fact that we are not dealing with that case at all. The working of the economic law was entirely suspended and transcended by another set of factors which intervened in the Great War, and you have this

curious result, that high prices were reached in India not with a low exchange at all but with a rising exchange. The highest point of living, when I think the Calcutta figure reached 206, was reached in the very year, 1920, when the rupee reached its highest average. The average for 1920 was two shillings and a fraction, and that was the very year at which we reached the highest prices. So that high prices in India and the present wages in Bombay, which are I think Rs. 30-12 on an average,—all these were reached under a rising rupee, and the highest price was reached with the rupee at its highest point. That is a very curious factor, and it entirely destroys the basis of the suggestion that prices are actually accommodated to the 1*s.* 4*d.* rupee. They are accommodated to nothing of the kind. So we get back to the fact that it is a pure battle of prices. I think there is one further point of agreement between both sides of the House, and that is that when you get your ratio adjusted and stabilised in gold, after a certain time—there will be no agreement about the time, for some will say it will happen soon while others will claim that there is a great lag—but I think both sides of the House will agree that ultimately in the long run internal prices must adjust themselves to your ratio. And when that is reached, although a great many people will have suffered in between and some will have made fortunes, it will no longer matter.

Sir, we reach this conclusion, that it suits some people to have a period of instability and move from one ratio to another. In that period some people will gain, and some people will lose; that is a necessary corollary. We have got to consider who those people are. Those who advocate 1*s.* 4*d.* tell us that the people who stand to gain by this period of unrest are the majority of the people. (*Cries of* "No.") Honourable Members say "No." but surely if you admit that in the end it makes no difference, the only virtue of the one and four-penny rupee lies in the interval before it is reached. Is not that so, Sir? The only virtue lies in this period of instability,? (*Sir Purshotamdas Thakurdas*: "How long is it?") That is important. (*Sir Purshotamdas Thakurdas*: "That is most important.") Sir, I have examined the arguments of the other side with the greatest will to understand them. But I found in them all a curious boomerang quality which makes them return to strike the user of them. The Honourable Member asked me how long would be the interval. I do not know what answer he wants. (*Sir Purshotamdas Thakurdas*: "You have made up your mind.") We have been told first that it will bring an immediate benefit of a 12 per cent. rise in agricultural prices. We are told by the same people that the lag is so great that the actual rise in the cost of living will be very small. I am quite prepared to accept the statement that the lag is considerable but I would point out this. You cannot on the one hand say that there will be no dislocation, trade will not be interrupted, everything will go on as before—you cannot do that on the one hand and on the other come forward and say that there is a tremendous lag, such a lag that there will be no rise, no immediate rise in prices. (*Sir Purshotamdas Thakurdas*: "That is what we maintained.") I admit that if you maintain that you are living in a totally different world from that in which I live. I am trying to bring the House back to reality. Some Honourable Members still live in a world of their own. They say, "It would benefit exporters to have a 1*s.* 4*d.*

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rupee and injure importers", and yet we have Mr. Birla and Sir Victor Sassoon coming forward to tell us that although it is going to hit the importer, nevertheless it is not going to hit the imports, that the customs receipts are to be the same as before. (*Sir Purshotamdas Thakurdas*: "Because the buying power of the country will be increased; don't you see that is the whole point?") The whole idea of the Currency League—as I have seen it and as they expressly state it,—is that 1*s.* 4*d.* is good for exporters, and 1*s.* 6*d.* is good for importers, and hits the exporter against the importer. Yet we are asked to believe that the Finance Member will get the same amount of customs receipts from imports as he would have got if we maintained the ratio at 1*s.* 6*d.*

Now, Sir, let us examine the main basis of this desire to depreciate the rupee. Let us try and get before our minds exactly what happens. Let us suppose that there is a speculator in Bombay who has one crore of rupees to handle. Now what does that mean? That means that he has control over the goods and services, the labour, of Indians of all sorts to the extent of one crore of rupees. He can make them work for him, he can command their goods and services to that extent. Well, Sir, he exchanges that crore with somebody in London for English money. At the present rate of exchange he will get £750,000. What does that mean? It means that he has resigned his claims to the goods and services of Indians and he has acquired a claim to the goods and services of Englishmen, houses and lands and so forth, and whatever he wants in England. That is what the present ratio gives him. Now, Sir, it suits that speculator to depreciate the value of Indian labour, to depreciate the value of Indian goods, to depreciate the value of the goods of his own country. As soon as he has forced the rupee down to 1*s.* 4*d.*, instead of using his money in England, he sends it back. So we find that instead of a crore, he gets 1 crore and 12½ lakhs—because the rupee has been fixed at 1*s.* 4*d.* That means that he has now increased his hold upon the goods and services of Indians. He can make them work for him to the extent represented not by one crore but to the extent represented by 1 crore and 12½ lakhs. If he were to wait till the end of this long lag, it is quite true that the rupee having depreciated, he would, for his one crore and 12½ lakhs, get no more goods and services than what he originally got for a crore, but in the interval of the whole process of readjustment, he is going to get a very great deal more for his money. During the period after the war it was my fortune to travel about in a good many countries with dislocated exchanges and I had the whole process of what is happening forced upon my attention. I saw, in countries where the people were being ruined, speculators at work trying to force down the exchange of their own country in order that they should do exactly what I have described to you. If the House will bear with me, I will tell you a short incident which happened to myself. I travelled with my wife to Soviet Russia. We crossed the Persian frontier and we travelled in a covered goods wagon—which was all that we could get from that Government.—We had it fitted up, and we travelled to Tiflis, and we had the best of everything that was going, that is to say we went to resturants, and to the ballet and we did everything we wanted to. We went on to Batoum, and finally we left Russia. We spent three weeks in all. Well, Sir, I was getting 800,000 roubles for the pound, and I spent in those three weeks 8 million

roubles. The people that I paid were paid enormous sums in comparison with the pre-war standard when the rouble was worth two shillings, but they were actually starving. I was getting their goods and services for three weeks for the sum of ten pounds! That is to say my wife and myself took that labour and had their goods for a sum of £10. Well, Sir, it was frankly a steal. I had also a friend who went to stay in Vienna with his wife about four years ago when the exchange was in a chaotic condition. He brought a large amount of Austrian exchange, and they had a thoroughly good holiday and everything they wanted, and at the end of it, he had a certain amount of Austrian exchange left over. There was then a sharp recovery in Austrian exchange and he sold it again, so that when he came home not only had he had a holiday for nothing but he had made a little. Now, Sir, that means that he made Austria work for him. Honourable Members may say what they like; they may cover it up; they may do what they like. But they cannot get away from the fact that that is what happens when you depreciate your exchange and during instability. They are making their own country to a certain extent the slave of another country. They are cheapening its labour and cheapening its goods in the markets abroad. I ask how that can be good for the whole country. Clearly we must agree that it cannot be good for the whole country.

Now, then, we will ask how can it be good for particular classes. I fully understand the right of particular classes to come forward frankly and represent their interests properly. I can understand the position of Mr. Chalmers who represents the tea industry if he says "I represent tea planters; we are exporters in competition with foreign countries and for a time during the process of instability we will make a bit out of it." That is a proposition to put. I understand the position of the jute merchant who says "I happen to have a monopoly crop; I can get my price and therefore actually the ratio does not matter to me. What I do want is stability to make forward contracts. Therefore I am in favour of 1s. 6d." That seems to me to be a very proper position. I can understand the position of the European who says "I remit money home and I would very much like to see exchange remain at 1*s*. 6*d*." We had a reference to that position to-day. I am perfectly certain that that was not a consideration that was present in the minds of the Commission and I am equally certain that that was not a consideration that was present in the minds of the Government. But I know enough of human nature to know that any European, who has charges at home, would prefer not to suffer during a period of instability and would like to continue to have a 1*s*. 6*d*. rupee. It is perfectly true, again, that when the whole thing has been evened out, when we get back stability, the European would have to get a higher salary or his profits would be altered, and there would be no difference at all to him. But it is important to him that there should not be a period when he will lose. I understand the feeling of the European. But, Sir, what I do not understand is why nobody in this House represents cotton Not a word has been said for cotton. I did not hear the Honourable Member say anything about cotton. I am told that in this matter it is the interest of the ryot that is being represented, but not the interests of cotton. I quite agree that the Honourable Member put forward his views very clearly before the Commission. As regards the cultivator, I have already shown that the present prices have no connection with a 1*s*. 4*d* rupee, that we have had a period of falling prices, and that the highest point in prices and the highest point in wages was reached under

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the 2-shilling rupee. That proves that those wages are quite independent of the 1*s.* 4*d.* rupee, and that they were attained for the same reason that they were attained in practically every country after the War, owing to the fact that people since the War put a higher value on the services and insist on a higher standard of life. Once you have reached that standard, it is extremely difficult to get it down. Sir Purshotamdas Thakurdas told us that his heart was heavy for the ryot. I am very glad of his humanitarian feelings. I would ask him at the same time to look a little nearer home at the *busthies* of Bombay, and decide for himself whether he thinks that it is an appropriate thing to reduce the real wages of Bombay workers.

Sir Purshotamdas Thakurdas: They are going to be ultimately reduced with 1*s.* 6*d.* They cannot be the same as at 1*s.* 4*d.* or under. They must be adjusted to the higher ratio.

Mr. Arthur Moore: I am very sorry to hear that.

There was another point as regards these grains of gold. It is quite true that if you depreciate the value of the rupee in grains of gold, you do depreciate the value of rupee loans and the Honourable Member claims that that would be an advantage to Government. But I would point out to you that it is only in the last two or three years, 3 years I think, that we have not had external borrowings. We are now consistently borrowing in rupees, and are we asked to shake the confidence of India by telling all those who lent rupees to Government, that we are prepared to depreciate the rupee? It is curious that Sir Purshotamdas Thakurdas did not touch on the sanctity of contracts to-day. We have heard the argument that 1*s.* 4*d.* rupee is the rate which will not increase the agricultural debt. But what about the sanctity of contracts? Sir Purshotamdas comes forward this afternoon and says it does not matter what the rupee is, even though people lent their rupees to Government at 1*s.* 6*d.*, because it happens on this occasion that Government will thereby get rid of a certain amount of debt. That is a disastrous process. It was certainly the way that Germany dealt with her internal debt after the War but she ruined a vast number of her own people and the actual wealth of the country to a very large extent changed hands. Is that the process that we are inviting?

Sir Purshotamdas Thakurdas: That is what you did in 1898 when you fixed the rupee at 1*s.* 4*d.*

Mr. Arthur Moore: We are asked not only to depreciate rupee investments, we are also asked to depreciate the silver savings of India. The unfortunate people who have their silver savings in India have been suffering continual depreciation. We are now asked to depreciate those savings further.

Sir Purshotamdas Thakurdas: By 1*s.* 4*d.*? Do you depreciate them further by 1*s.* 4*d.*?

Mr. Arthur Moore: Certainly.

Sir Purshotamdas Thakurdas: Go ahead please, full steam.

Mr. Arthur Moore: The estimate is, I think, 100 crores of hoarded rupees. It is surely perfectly obvious that if you depreciate the value of

the rupee you depreciate the savings of everybody whose savings are in rupee coin. The Honourable Member's intellect is equal to understanding that.

Sir Purshotamdas Thakurdas: Go ahead. We will judge about the intellect a little later.

Mr. Arthur Moore: I will continue the question of debt. Pandit Madan Mohan Malaviya made out a very strong denunciation on this question. There is nobody for whose intellectual honesty I have greater respect than Pandit Madan Mohan Malaviya. I would ask him, instead of reading a verbose denunciation by somebody else on this question, to apply his own intellect to the actual process that happens. I would ask him whether when people borrowed money at 1*s*. 4*d*. and when the cost of living was, say, at 100 points and they are now asked to repay when the cost of living is 150, will the debt they borrowed be repaid really in goods and services if they only repay 1*s*. 4*d*. I will put the question in this way. Let us suppose that 20 years ago Pandit Malaviya and I met at a telegraph office somewhere in India and I wanted to send a telegram. I had no money on me and so I borrowed Rs. 1-8-0 from Pandit Malaviya and I sent my telegram and forgot all about it. Supposing to-day he accosted me in the lobby and reminded me about it. If I produced Rs. 1-8-0, I would be discharging the contract, unwritten if you like; but would I be repaying the debt? Would the Pandit be able to get for that Rs. 1-8-0 to-day more than one rupee's worth of what he would have got 20 years ago? Would he be able to send such a lengthy telegram as I sent 20 years ago? Obviously he would not. (*An Honourable Member*: "Rates were much cheaper then.")

Well, Sir, I have tried to show the bare bones of what happens in this exchange of goods and services. I do not wish to quote authorities, but there is one name which I should like to mention, because I hope that Honourable Members opposite will listen to him with respect. In the beginning of this session they very properly, from their point of view, put forward a plea to have Mr. S. C. Mitra in this House. Mr. S. C. Mitra is not with us; but we have his views. He is absent, but he speaks. Members claimed that he should be here on this momentous occasion; he is not here, but I will read his views which are these:

"My views about the coming currency legislation are not in agreement with those of the Bombay capitalists. The real interests of the ryots will suffer at a lower rate of exchange, and I agree with Mr. Chaudhry that the interests of the capitalists and the general public are at variance in this particular case. But unfortunately nobody in Bengal has paid any attention to this aspect, while the financiers of Bombay are misleading public opinion."

Well, Sir, that is the opinion of Mr. S. C. Mitra . . .

Mr. Jamnadas M. Mehta: I suppose you are his follower.

Sir Purshotamdas Thakurdas: You accept his opinion whenever it suits you.

Mr. Arthur Moore: Quite so: I should not quote him if I did not agree with him.

Sir, when I hear the music of Bombay and I am told that wonderful things can be done by this 2*d*., that we are to have a paradise from this twopence coloured, I am reminded of the story of the wicked rich man who died, and after his death, presented himself at Heaven's gate.

He was asked what good deeds he had done to justify admission, and after considerable ransacking of his memory he said that he had once given two pence to a poor man. The entry was looked up by the recording

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angel and found correct, but it seemed an inadequate deed to procure admission. So the matter was referred to a Select Committee of Archangels, just as might happen in this House. The Committee decided against the claim, and St. Peter was told to repay him and send him away. So St. Peter produced the money and said to the rich man "Take your tuppence and go to Hell." Perhaps it might be more Parliamentary, Sir, if I said "to the other place." Sir, when I hear the music of Bombay and the wonders to be done by knocking tuppence off the rupee I am sometimes moved to think that the Finance Member might use the phrase attributed to the Saint in the story. But I do not think the Honourable Member will do so, because he is now bringing to an end a certain work. Sir, I remember that two or three nights before the Honourable Member first sailed for India in December 1922, I was present at a very small dinner party of six including himself, and I was extremely interested on that occasion to try, if I could, to penetrate his mind and purpose on the eve of going out to India at a time when the finances of this country were in a deplorable condition. I went home that night feeling that I had gauged his purpose and I formed a certain opinion, which I have never changed. I came to the conclusion that the Finance Member had marked out his own part in the carrying out of that famous Proclamation of August 1917, which held out a prospect of a far larger measure of self-government to this country. He had marked out for himself as his own part in that great work, to try to give India a larger share of financial autonomy. Sir, the control of London I think was often extremely valuable in the last century, but I do not think that any one who reads the records of this country, *i.e.*, of the last 25 years, can come to any other conclusion than that the interference of Whitehall with the Finance Member for India has been disastrous. If I may put in a phrase what I judge to be Sir Basil Blackett's policy it is this "the Secretary of State must decrease, and the Finance Member must increase." This year the Finance Member brings before us in these three Bills what is really a tremendous measure of financial autonomy. For the first time, the currency of India is to be entirely free of control from London, and the currency of India is also to be free of the control of Government. If, Sir, this House rejects that measure, if we prefer to say "No, not yet; we want a little gamble; we want to see some money changing hands, we want to see the richer richer and the poorer poorer,"—if we decide to do that, then I think that we should convict ourselves of incurable levity, and that we shall be doing an injury to the cause we have at heart.

Mr. President: Before we proceed further, I should really like to ascertain the opinion of this House on one question. All sections of the House are agreed, so far as I could see, that the Bill should be taken into consideration. If I am correct in this, I should like to ask Honourable Members whether it is really worth while, when all parties are agreed, that they should go on discussing this motion any further. There will be ample opportunity for Honourable Members to speak on particular amendments which will come up later on. But I am entirely in the hands of the House. If there was a desire on the part of Honourable Members to continue the discussion, I was quite willing to do so, but I thought it was my duty to make the suggestion in the interests of the debate.

Mr. M. A. Jinnah: Speaking on behalf of my group, Sir, I am perfectly willing that the Bill should be taken into consideration. We are certainly in favour of this motion. Whatever may be our views with regard to the

several amendments, I am certainly of the opinion that no further time should be lost in discussing the motion that the Bill be taken into consideration.

The Honourable Sir Basil Blackett: I should be very glad to waive my right of reply.

The Honourable Sir Alexander Muddiman (Home Member): On that question, the closure may be put.

Mr. President: I should like to know the views of the Swaraj Party.

Mr. S. Srinivasa Iyengar (Madras City: Non-Muhammadan Urban): I also think that it would be better, if we have to speak on the amendments at length, if we do not proceed with our discussion on this motion. Of course, several Honourable Members have not yet spoken, and it may be necessary that they should speak at some length, of course quite relevantly upon these amendments also.

Mr. President: The Honourable Member must know that there is no time limit for speeches on Bills.

Mr. S. Srinivasa Iyengar: Therefore, Sir, I certainly agree to the course just proposed, because it will make the debate more relevant.

Mr. M. R. Jayakar (Bombay City: Non-Muhammadan Urban): We also agree to the same course, Sir.

The Honourable Sir Basil Blackett: I prefer to waive my right of reply in these circumstances.

Mr. President: The question is:

"That the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold exchange, be taken into consideration."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 8th March, 1927.